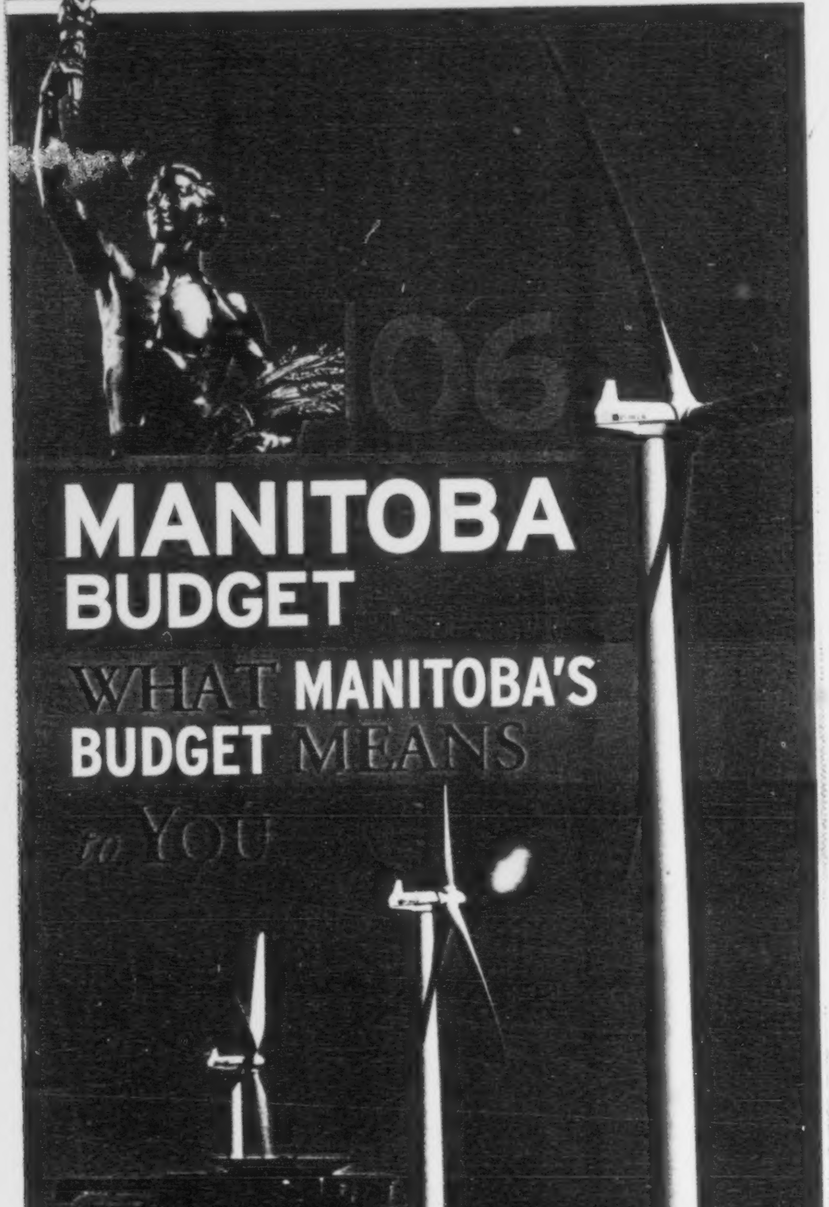
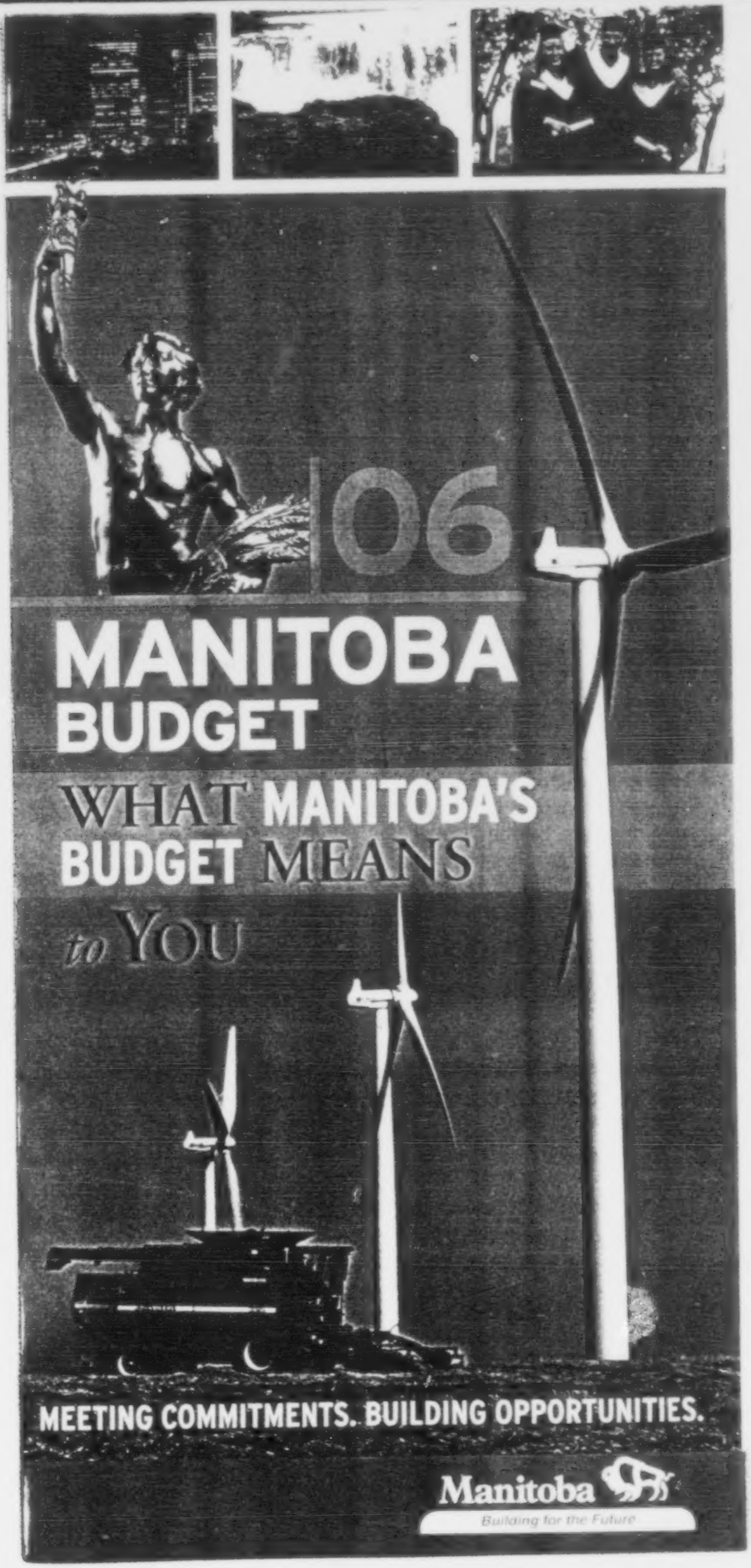


# MANITOBA BUDGET

## WHAT MANITOBA'S BUDGET MEANS *to* YOU

**MEETING COMMITMENTS. BUILDING OPPORTUNITIES.**

Manitoba
*Building for the Future*



06

# MANITOBA BUDGET

## WHAT MANITOBA'S BUDGET MEANS to YOU

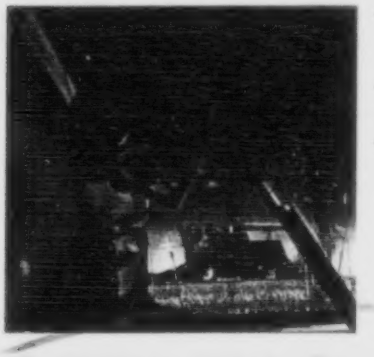
MEETING COMMITMENTS. BUILDING OPPORTUNITIES.

Manitoba

Building for the Future

# A GREEN AND GROWING ECONOMY

There is a renewed optimism and confidence in Manitoba. Our economy is strong, consumer spending is up and business investment has increased. Manitoba's clean energy advantage is a key element of our economic growth strategy. Budget 2006 builds on this advantage through strategic economic and energy investments.



- A $15 million federal-provincial program will promote community-based biodiesel production facilities – this year's budget also removes fuel and sales tax from biofuel.
- The proposed Conawapa generating station will provide enormous community and economic benefits as well as energy export opportunities.
- Following the success of the St-Léon wind farm, more projects are planned and are expected to generate $2 billion in investment and $100 million in wind-rights payments for landowners.
- This year's budget increases the refundable portion of the Manufacturing Investment Tax Credit from 20% to 35%.
- A new business mentoring program – BizCoach Manitoba – will connect new entrepreneurs with successful Manitoba business leaders.
- A new investment will be made in the Industrial Technology Centre and the capacity of the Manitoba Interactive Media Fund will be doubled.
- Support for the Manitoba Centres of Excellence Fund is being enhanced to provide additional investment for our world-class research industry.

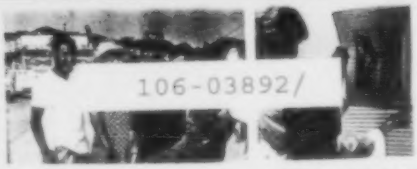
> "SUSTAINABLE DEVELOPMENT HAS BECOME AN ECONOMIC LINCHPIN IN THE CANADIAN PROVINCE OF MANITOBA." BUSINESS WEEK, DECEMBER 2005

# OPPORTUNITIES FOR MANITOBA'S YOUTH

Manitoba's growing economy offers training and job opportunities for our youth. Budget 2006 provides new funds and introduces new programs to help our young people reach their goals.

- A new three-year, $60 million funding commitment is being made to universities and colleges – the largest in Manitoba's history.
- Budget 2006 maintains the 10% tuition reduction for students, while fully compensating universities and colleges for this reduction.
- The Graduate Scholarship and Hope Bursary programs are being expanded and funding for the Canadian Millennium Scholarship Fund is increasing.
- A co-op education hiring incentive is being introduced to encourage employers to hire more Manitoba graduates.
- Increased resources are being provided for the College Expansion Initiative, Adult Learning Centres and training partnerships with industry.
- Provincial operating support for public schools will be increased to $926 million.

# HEALTHY MANITOBA FAMILIES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Budget 2006 continues the commitment to building active and healthy Manitoba families. Programs that help our families grow and prosper are a priority in this year's Budget.

- $7.8 million will be provided to assist low income Manitobans with rising shelter costs and $13.6 million more will be available for supported living for persons with mental disabilities.
- New healthy food and nutrition guidelines and an enhanced physical education curriculum will be introduced into Manitoba schools.
- The Healthy Baby program will expand to more sites, the *Centres de la petite enfance et de la famille* will be placed in more Francophone schools and more support will be provided for school-based teen clinics.
- Investments will be made in the new Aging in Place Strategy for seniors including expanded services and an enhanced elder abuse prevention program.
- Manitoba will introduce a new Children's Physical Activity Tax Credit when the federal government implements its proposed credit.

# STRATEGIC HEALTH CARE INVESTMENTS

Budget 2006 makes strategic investments in key health care projects that will provide Manitobans with better care, sooner and closer to home.

- More than 20,000 additional MRI tests and 15,000 additional CT scans will be performed over the next three years.
- A new Cardiac Centre of Excellence will be created at St. Boniface Hospital.
- The reconstruction of the Health Sciences Centre will continue and capacity will be increased for the Pan Am Pain Clinic.
- This year's budget fulfills the commitment to expand the number of medical spaces at the U of M, increase the intake of international medical graduates and expand nursing enrolment to 3,000.
- The replacement of the entire provincial fleet of 160 ambulances is complete with new models that provide improved care and safety.
- Budget 2006 eliminates the retail sales tax on lancets and blood glucose monitors purchased by diabetics.

> "MANITOBA'S CLIMATE CHANGE PLAN IS THE BEST OF ALL THE PROVINCIAL AND TERRITORIAL PLANS." DAVID SUZUKI FOUNDATION, OCTOBER 2005

# WATER AND ENVIRONMENTAL PROTECTION

Manitoba is blessed with a clean, natural environment and vast water resources. Budget 2006 builds on our commitment to protect Manitoba's precious natural resources. Our success has bee recognized internationally - Business Week magazine recently ranked Manitoba as the number one regional government in the world for battling climate change.

- A new Environmental Enhancement Loan Program will be established to help farmers increase the environmental performance of their land.
- Budget 2006 provides for a 30% increase in funding for water infrastructure projects and funding for drainage is more than doubling.
- Expanded resources will be provided for improved drinking water safety.
- Additional resources will help protect sensitive ground and surface water.
- Funding will be increased for the Canada-Manitoba Hydrometric program for flood forecasting.
- New support will be provided to advance the UNESCO World Heritage site nomination as well as First Nations land planning, and sustainable resource management projects on the east side of Lake Winnipeg.

# RESPONSIBLE, BALANCED GOVERNMENT

Budget 2006 continues the commitment to a responsible, balanced approach to managing government finances. This year's budget builds on the prudent management that has led to credit ratings increases.

- Budget 2006 is our government's seventh straight balanced budget under balanced budget legislation.
- A summary budget surplus of $148 million is projected.
- This year's budget provides for a $110 million payment toward general purpose debt and pension liabilities, bringing total contributions to $704 million over seven years.
- Total provincial spending per capita is the 2nd lowest in Canada.

**MANITOBA CREDIT RATINGS**

| | |
|---|---|
| Moody's Investors Services: | Aa2 |
| Standard and Poor's: | AA- |
| Dominion Bond Rating Service: | A (high) |

> "BY 2007, MANITOBANS WILL ENJOY ANNUAL SAVINGS IN PERSONAL, PROPERTY AND BUSINESS TAXES OF $618 MILLION COMPARED TO 1999."

2006 BUDGET SPEECH

## STRONG AND SAFE COMMUNITIES

Manitoba's strong economy creates opportunities for our communities. Budget 2006 invests in programs that will continue to build vibrant, safe communities throughout our province.

- Significant new investments will be made in Manitoba's Crime Fighting Action Plan with a special focus on gangs and organized crime.
- The Gang Prosecutions Unit will double in size and a total of 31 additional police positions will be added in Winnipeg, Brandon and Aboriginal communities.
- The Lighthouses after-school program for youth will be expanded to 45 sites throughout Manitoba.
- Support for community-based family violence prevention initiatives and crisis accommodation for vulnerable adults is being increased.
- Additional funds will be provided for highway upgrades including Highways 1 and 75.
- The Building Manitoba Fund will grow by $7.9 million in 2006, providing $127 million to support municipal infrastructure and services.
- $32 million will be provided for cost-shared infrastructure and other projects, including the Kenaston Underpass, Winnipeg's waste water and treatment upgrade, Brandon's Keystone Centre, Broadband Communications North and the Parklands Telecommunications Network.
- Funding will be provided to engage Aboriginal communities in mineral resource activities that could provide new economic opportunities.

## $99 MILLION IN NEW TAX SAVINGS

Manitoba's bottom line benefits and quality of life advantage make it the ideal place to live, work and raise a family. Budget 2006 provides tax savings that will make our province even more affordable for families and more competitive for business.

- Budget 2006 delivers on the commitment to eliminate the Education Support Levy on residential property, saving Manitobans an additional $34 million this year.
- The farmland education tax reduction will exceed our commitment, increasing from 50% to 60% and providing $4.6 million in new savings for farmland owners.
- The middle income tax rate will be reduced to 13% effective January 1, 2007 and the basic personal amount will increase by another $100, providing Manitobans with $32.3 million in annual tax savings.
- The small business tax rate will be reduced to 3% on January 1, 2007, exceeding our commitment and providing a cumulative reduction of 63% since 1999.
- This year's budget doubles the corporation capital tax deduction from $5 million to $10 million, reducing the number of firms paying this tax by 19%.

# MINISTER'S MESSAGE

**Budget 2006 is about meeting our commitments and building opportunities for all Manitobans.**

The energy, optimism and confidence Manitobans are feeling today reflect the unprecedented success that is being achieved by the people of our province. The spectacular number of Olympic medals recently won by our Manitoba athletes is an outstanding accomplishment and proves beyond a doubt that Manitobans can take on the world.

This budget responds to that spirit by harnessing resources to meet our commitments to Manitobans. We have delivered seven solid, balanced budgets under balanced budget legislation that are helping to grow our economy and provide opportunities for success across the province. Manitoba's advantages are many and our province continues to be an attractive place to live, work and raise a family.

Our four main building blocks in Budget 2006 advance our economic plan:

- **Growing Green, Growing Smart**
- **Healthy Families, Healthy Communities**
- **Tax Savings for Manitoba Families and Business**
- **Balanced Budgets**

We are delivering on our commitments within a balanced and responsible fiscal framework. Together, we are building a strong future for Manitoba.

Greg Selinger

**Greg Selinger**

Minister of Finance

2006

# LE BUDGET DU MANITOBA

## CE QUE LE BUDGET DU MANITOBA SIGNIFIE POUR VOUS

**RESPECT DES ENGAGEMENTS, NOUVELLES POSSIBILITÉS**

Manitoba
Bâtir l'avenir

2006

# LE BUDGET DU MANITOBA

## CE QUE LE BUDGET DU MANITOBA SIGNIFIE POUR VOUS

RESPECT DES ENGAGEMENTS, NOUVELLES POSSIBILITÉS

Manitoba

Bâtir l'avenir

# UNE APPROCHE RESPONSABLE ET ÉQUILIBRÉE

**Le Budget 2006 poursuit notre engagement envers une approche équilibrée de la gestion des finances gouvernementales. Le budget de cette année repose sur une gestion prudente qui a valu au Manitoba une amélioration de ses cotes de crédit.**

- Le Budget 2006 est notre septième budget consécutif équilibré conformément aux mesures législatives sur l'équilibre budgétaire.
- Le budget sommaire prévoit un excédent de 148 millions de dollars.
- Le budget de cette année prévoit un versement de 110 millions de dollars pour le remboursement de la dette et des obligations découlant des régimes de retraite, ce qui porte à 704 millions de dollars le total des contributions versées à ce chapitre sur sept ans.
- Le Manitoba se classe au deuxième rang des provinces ayant le plus faible total de dépenses par habitant.

**COTES DE CRÉDIT DU MANITOBA**

| | |
|---|---|
| **Moody's Investors Services :** | Aa2 |
| **Standard and Poor's :** | AA- |
| **Dominion Bond Rating Service :** | A (élevé) |

> « D'ICI 2007, LES MANITOBAINS ET MANITOBAINES BÉNÉFICIERONT D'UNE ÉPARGNE ANNUELLE DE 618 MILLIONS DE DOLLARS PAR RAPPORT À 1999, EN CE QUI CONCERNE LES TAXES ET IMPÔTS TOUCHANT LES PARTICULIERS, LES ENTREPRISES ET LES BIENS FONCIERS. » DISCOURS DU BUDGET DE 2006

# DES COLLECTIVITÉS SOLIDES ET SÉCURITAIRES

**L'économie solide du Manitoba génère des possibilités pour nos collectivités. Le Budget 2006 investit dans des programmes qui nous permettent de continuer à bâtir des collectivités dynamiques et sécuritaires dans toute la province.**

- Il y aura de nouveaux investissements importants dans le plan manitobain de lutte contre la criminalité, en particulier en ce qui concerne la lutte contre les gangs et le crime organisé.
- Le Budget de 2006 double la taille de la Section de poursuite des gangs et ajoute 31 postes de policiers à Winnipeg, à Brandon et dans plusieurs collectivités autochtones.
- Le nombre de lieux-phares du programme post-scolaire Lighthouses sera augmenté à 45 pour l'ensemble du Manitoba.
- Le soutien accordé aux initiatives communautaires de prévention de la violence familiale et aux services d'hébergement d'urgence pour adultes vulnérables est augmenté.
- Des fonds supplémentaires seront consacrés à l'amélioration des routes, y compris les routes n° 1 et n° 75.
- Le Fonds de croissance du Manitoba augmentera de 7,9 millions de dollars en 2006, ce qui permettra de consacrer 127 millions de dollars au soutien des infrastructures et des services municipaux.
- 32 millions de dollars seront consacrés à des projets d'infrastructure à coûts partagés tels que la construction du passage inférieur du boulevard Kenaston, l'amélioration du réseau de traitement des eaux usées de Winnipeg, le centre Keystone de Brandon, le programme de transmission à large bande dans le Nord et le réseau de télécommunications de la région des Parcs.
- Des fonds seront consacrés à encourager la participation des collectivités autochtones aux activités de mise en valeur des ressources minérales pouvant générer de nouvelles possibilités économiques.

# DE NOUVELLES ÉCONOMIES D'IMPÔT TOTALISANT 99 MILLIONS DE DOLLARS

**Les avantages fondamentaux et la qualité de vie qu'offre le Manitoba en font l'endroit idéal pour vivre, travailler et élever une famille. Grâce aux économies d'impôt que le Budget 2006 leur procure, les entreprises du Manitoba seront plus concurrentielles, et les familles qui y résident profiteront d'un coût de la vie encore plus abordable.**

- Le Budget 2006 respecte notre engagement d'éliminer la taxe résidentielle d'aide à l'éducation, ce qui permet aux Manitobains et Manitobaines de réaliser une épargne fiscale de 34 millions de dollars de plus cette année.
- La réduction de l'impôt foncier en matière d'éducation touchant les terres agricoles dépassera notre engagement initial avec une nouvelle augmentation : elle passera de 50 % à 60 % et offrira aux agriculteurs du Manitoba une nouvelle épargne fiscale de 4,6 millions de dollars.
- Le taux d'imposition intermédiaire sera réduit à 13 % le 1er janvier 2007 et le montant personnel de base sera de nouveau augmenté de 100 $, ce qui représente une épargne annuelle de 32,3 millions de dollars pour les contribuables du Manitoba.
- Le taux d'imposition des petites entreprises sera réduit à 3 % le 1er janvier 2007; cette réduction dépasse notre engagement et représente une réduction cumulative de 63 % depuis 1999.
- Le budget de cette année double la déduction de l'impôt sur le capital des corporations, la faisant passer de 5 millions de dollars à 10 millions de dollars, ce qui diminue de 19 % le nombre d'entreprises devant payer cet impôt.

## FAMILLES MANITOBAINES EN SANTÉ

**Le Budget 2006 poursuit l'engagement du gouvernement à encourager l'activité et la santé des familles. Les programmes qui aident nos familles à grandir et à prospérer sont une priorité du budget de cette année.**

- Ce budget prévoit 7,8 millions de dollars pour aider les personnes ayant un faible revenu à faire face à la hausse des frais de logement, et 13,6 millions de dollars de plus pour l'aide à la vie en société des personnes ayant un handicap intellectuel.
- De nouvelles lignes directrices d'alimentation saine et de nutrition ainsi qu'un programme d'éducation physique amélioré seront introduits dans les écoles manitobaines.
- Le programme Bébés en santé sera étendu à un plus grand nombre de sites. Il y aura des Centres de la petite enfance et de la famille dans un plus grand nombre d'écoles francophones, et un soutien accru aux cliniques pour adolescents dans les écoles.
- Des investissements sont prévus dans la nouvelle Stratégie de vieillissement chez soi, y compris l'expansion des services et l'amélioration du programme de prévention des mauvais traitements des personnes âgées.
- Le Manitoba mettra en place un nouveau crédit d'impôt pour l'activité physique des enfants au moment où le crédit d'impôt proposé par le gouvernement fédéral entrera en vigueur.

## DES INVESTISSEMENTS DE SANTÉ STRATÉGIQUES

**Le Budget 2006 prévoit des investissements stratégiques dans des projets de santé clés qui aideront les Manitobains et les Manitobaines à obtenir de meilleurs soins de santé plus rapidement et plus près de chez eux.**

- Plus de 20 000 tests d'IRM et 15 000 tests de scanographie supplémentaires seront effectués au cours des trois prochaines années.
- Un nouveau centre d'excellence en chirurgie cardiaque sera créé à l'Hôpital Saint-Boniface.
- La reconstruction du Centre des sciences de la santé se poursuivra, et la capacité du programme de traitement de la douleur à la clinique Pan Am sera augmentée.
- Le budget de cette année respecte notre engagement d'augmenter le nombre de places à la Faculté de médecine de l'Université du Manitoba, d'accepter plus de diplômés étrangers en médecine et d'augmenter à 3 000 le nombre d'inscriptions dans le programme de sciences infirmières.
- Les 160 véhicules qui constituent la flotte provinciale d'ambulances ont été remplacés par de nouveaux modèles qui offrent une plus grande sécurité et permettent de fournir de meilleurs soins.
- Le Budget 2006 élimine la taxe de vente au détail sur les lancettes et les appareils de mesure de la glycémie achetés par les diabétiques.

> « LE PLAN MANITOBAIN DE LUTTE CONTRE LE CHANGEMENT CLIMATIQUE EST LE MEILLEUR DE TOUS LES PLANS PROVINCIAUX ET TERRITORIAUX. » FONDATION DAVID SUZUKI, OCTOBRE 2005

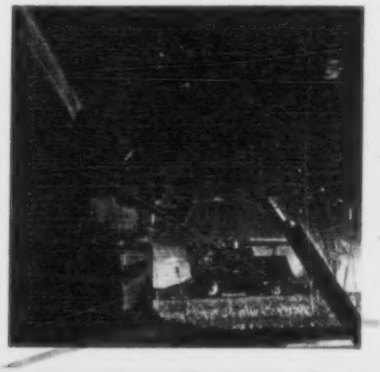
## PROTECTION DES RESSOURCES HYDRIQUES ET DE L'ENVIRONNEMENT

**Le Manitoba a la chance de bénéficier d'un environnement propre et naturel ainsi que de vastes ressources hydriques. Le Budget 2006 s'appuie sur notre engagement de protéger les précieuses ressources naturelles du Manitoba. Notre succès a atteint une renommée internationale : le magazine Business Week a récemment classé le Manitoba premier gouvernement régional au monde en matière de lutte contre le changement climatique.**

- Un nouveau programme de prêt pour l'amélioration de l'environnement sera mis sur pied afin d'aider les agriculteurs à augmenter la performance environnementale de leurs terres.
- Le Budget 2006 prévoit une augmentation de 30 % des projets d'infrastructure hydraulique, et le financement des projets de drainage va plus que doubler.
- Davantage de ressources seront consacrées à renforcer la sécurité de l'eau potable.
- Ce budget prévoit des ressources supplémentaires pour aider à protéger les eaux de surface et les eaux souterraines vulnérables.
- Un plus grand financement sera consacré au Programme hydrométrique mené en partenariat avec le gouvernement fédéral pour la prévision des inondations.
- De nouvelles ressources seront consacrées à faire progresser la désignation de la rive est du lac Winnipeg comme site du patrimoine mondial par l'UNESCO et à poursuivre le projet d'aménagement du territoire et de gestion durable des ressources mené par les Premières nations dans cette région.

# UNE ÉCONOMIE VERTE ET CROISSANTE

**L'optimisme et la confiance sont à la hausse au Manitoba. Notre économie est solide, les dépenses de consommation progressent et les investissements commerciaux ont augmenté. L'énergie propre est un avantage pour le Manitoba et un élément clé de notre stratégie de croissance économique. Le Budget 2006 s'appuie sur cet avantage grâce à des investissements économiques et énergétiques stratégiques.**



- Un programme fédéral-provincial de 1,5 million de dollars favorisera les installations communautaires de production de biodiesel. Dans le budget de cette année, les biocarburants sont aussi exempts de la taxe de vente et de la taxe sur les carburants.
- Le projet de centrale électrique de Conawapa créera d'énormes avantages sur le plan communautaire et économique, ainsi que des possibilités d'exportation d'énergie.
- Après le succès du parc éolien de Saint-Léon, d'autres projets sont prévus, et on s'attend à ce qu'ils génèrent 2 milliards de dollars en investissements et 100 millions de dollars en versements de droits éoliens aux propriétaires fonciers.
- Le budget de cette année augmente la portion remboursable du crédit d'impôt à l'investissement manufacturier, qui passe de 20 % à 35 %.
- Un nouveau programme, Mentor des entreprises, sera établi pour mettre les nouveaux entrepreneurs en contact avec des chefs d'entreprise manitobains qui ont réussi.
- De nouveaux investissements sont prévus pour le Centre de technologie industrielle, et la capacité du Fonds destiné aux médias interactifs du Manitoba sera doublée.
- Le soutien au Fonds pour les centres d'excellence du Manitoba sera amélioré afin d'augmenter l'investissement dans notre industrie de recherche, de renommée internationale.

« LE DÉVELOPPEMENT DURABLE EST DEVENU UN ROUAGE ÉCONOMIQUE ESSENTIEL DANS LA PROVINCE CANADIENNE DU MANITOBA. » BUSINESS WEEK, DÉCEMBRE 2005)

# CRÉER DES POSSIBILITÉS POUR LA JEUNESSE DU MANITOBA

**Au Manitoba, l'économie en expansion crée des possibilités de formation et d'emplois pour les jeunes. Le Budget 2006 prévoit de nouveaux fonds et la mise en place de nouveaux programmes pour aider les jeunes du Manitoba à atteindre leurs objectifs.**

- Le plus important engagement de l'histoire du Manitoba envers les universités et les collèges prévoit le versement de 60 millions de dollars sur trois ans.
- Le Budget 2006 maintient la réduction des frais de scolarité de 10 % pour les étudiants tout en compensant le manque à gagner des universités et des collèges.
- Les programmes de bourses pour les études supérieures et de bourses HOPE sont élargis et le financement du Fonds du millénaire augmente.
- Des mesures incitatives à l'embauche d'étudiants participant à un programme d'enseignement coopératif seront mises en place pour encourager les employeurs à embaucher plus de diplômés manitobains.
- On prévoit une augmentation des ressources pour l'Initiative d'expansion des collèges, les centres d'apprentissage pour adultes et les Partenariats favorisant la formation professionnelle dans l'industrie.
- Les fonds accordés par la Province aux écoles publiques pour leurs dépenses de fonctionnement passeront à 926 millions de dollars.

# MESSAGE DU MINISTRE

**Le Budget 2006 est axé sur le respect des engagements et le développement de nouvelles possibilités pour toute la population du Manitoba.**

L'énergie, l'optimisme et la confiance que ressentent les Manitobains et Manitobaines aujourd'hui reflètent le succès sans précédent que connaît notre province. Le nombre spectaculaire de médailles olympiques récemment gagnées par les athlètes de notre province est une réalisation extraordinaire et prouve indubitablement que les Manitobains et Manitobaines peuvent faire la conquête du monde.

Ce budget reflète cet état d'esprit en utilisant nos ressources pour respecter nos engagements envers la population manitobaine. Nous avons présenté sept budgets solides et équilibrés, conformes aux mesures législatives sur l'équilibre budgétaire, qui encouragent la croissance de notre économie et offrent des possibilités de succès dans l'ensemble de la province. Le Manitoba présente de nombreux avantages et continue d'être une province dans laquelle il fait bon vivre, travailler et élever une famille.

Les quatre éléments de base de notre Budget 2006 font progresser notre plan économique :

- **croissance verte, croissance intelligente;**
- **familles en santé, collectivités en santé;**
- **économies d'impôt pour les familles et les entreprises du Manitoba;**
- **budgets équilibrés.**

Nous respectons nos engagements dans le cadre d'un plan financier équilibré et responsable. Ensemble, nous bâtissons un avenir solide pour le Manitoba.

Le ministre des Finances,

Greg Selinger

**Greg Selinger**

# MANITOBA BUDGET 06

## BUDGET SPEECH

MEETING COMMITMENTS. BUILDING OPPORTUNITIES.

Manitoba

Manitoba

# The 2006 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
March 6, 2006

This document is
available on the Internet at:
http://www.gov.mb.ca/finance
Other information available at this site includes:
2006 Estimates of Expenditure
2006 Estimates of Revenue
The 2006 Manitoba Budget Papers
the latest Quarterly Financial Report and
Manitoba Economic Highlights

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Also available

THE BUDGET PAPERS (in one volume)

- Budget Paper A – The Economy
- Budget Paper B – Financial Review and Statistics
- Budget Paper C – A New Focus on Fiscal Arrangements
- Budget Paper D – Taxation Adjustments
- Budget Paper E – The Manitoba Advantage
- Budget Paper F – Community Economic Development
- Budget Paper G – Modernizing Government

Mr. Speaker, it gives me great satisfaction today to present Budget 2006: Meeting Commitments, Building Opportunities.

Budget 2006 meets and exceeds important commitments our government made to Manitobans. Today's budget makes our province more affordable and more competitive, improves our quality of life and builds opportunities for long-term growth and prosperity. We are building on Manitobans' accomplishments and taking action on Manitobans' priorities.

We recognize the great advantages that Manitoba has to offer and the extraordinary quality of our people. In Manitoba, rates of volunteerism are consistently among the highest in the country, and Manitobans have the highest proportion of charitable giving of any province.

Manitobans watched with tremendous pride as Manitoban after Manitoban won Olympic medals on behalf of their country at the 2006 Winter Olympics. Mr. Speaker, I am pleased to announce that on behalf of all Manitobans, Budget 2006 pledges $100,000 in the winning spirit of Manitoba Olympians – $50,000 for KidSport to increase sports opportunities for children in Manitoba, and $50,000 for Right to Play, to promote sport and play for children in the most disadvantaged parts of the world.

Building on our success in hosting the 2005 Canadian Juno Awards, Manitoba will host the Canadian Aboriginal Music Awards this year and the Women's World Hockey Championships in 2007 at the MTS Centre – our world-class entertainment, sports and performing arts centre. Last year, the MTS Centre was the third-busiest arena in all of Canada, and set a new provincial record for gross revenues from a single arena show, topping $1 million for Aerosmith and Lenny Kravitz.

Mr. Speaker, this year brought great honour when Business Week magazine named Manitoba as the best in the world for taking action on climate change. Manitoba's climate change strategy was also ranked number one in Canada by the David Suzuki Foundation. These are honours we can all be proud of, representing the actions Manitobans have taken to protect our environment, to develop clean energy sources like wind and hydro power, and to keep our economy growing green for today and tomorrow.

Manitoba's dedicated and skilled workforce, our strong business and community leadership, and our exceptionally innovative entrepreneurs are the backbone of so much of our prosperity and growth, supporting the success of Manitoba businesses at home and around the world. Our province is expected to lead the country in the coming year in capital investment growth.

Rural Manitobans have demonstrated their resilience in dealing with challenges, such as extensive flooding brought on by record-high water levels, the lingering impacts of cross-border trade disputes and the pressure of a high Canadian dollar. We recognize the hard work of rural Manitobans and will continue to work with families, producers, and industry to build strong rural communities.

Our government will continue to work with all Manitobans to capture the Olympic "can do" spirit and achieve our goals together.

Budget 2006 centres on four main building blocks:

- Growing Green, Growing Smart
- Healthy Families, Healthy Communities
- Tax Savings for Manitoba Families and Business
- Balanced Budgets

Our government has worked hard to address the challenges of the 1990s and build opportunities for the 21st century. In 1999, Manitoba was losing doctors and nurses, signs of a seriously troubled health care system. Funding for post-secondary education was stagnant, enrolment was declining, and our education facilities were deteriorating. Manitoba had the highest corporation tax rate and second-highest small business tax rate in the country. Education taxes were rising, while property values remained flat. Water and environmental protection were falling behind.

Since 1999, we have reversed the tides of decline. We outlined a plan to invest in Manitobans' priorities, to grow a strong economy, to deliver sustainable tax relief, and to implement a sound fiscal plan. And we've delivered, Mr. Speaker:

- We have provided record support to post-secondary education and training, supporting a one-third increase in university and college enrolment and apprenticeships. Budget 2006 includes a major new multi-year funding commitment to universities and colleges.
- We have invested in health professionals and rebuilding our health care system. Budget 2006 advances our Wait-time Reduction Strategy and new healthy living initiatives.
- We have worked to make our communities safer. Budget 2006 provides new resources for our Crime Fighting Action Plan, Lighthouses in our communities, and the fight against crystal meth.
- We have implemented our Action Strategy for Economic Growth, resulting in continued strong economic performance. Budget 2006 advances strategies to improve competitiveness, innovation and clean energy to keep our economy growing green and growing smart.
- We have invested in cleaner water, flood protection and emergency preparedness. Budget 2006 adds resources for increasing water quality, drainage projects and pandemic planning.
- We have built roads and infrastructure. Budget 2006 advances new highways funding and resources for priority infrastructure projects.
- We have worked with Aboriginal communities to close the quality of life gap between Aboriginal and non-Aboriginal people. Budget 2006 supports our commitment to targets under the Kelowna Accord.
- We have provided increased funding to municipalities tied to growth revenues. Budget 2006 includes a $7.9 million increase in the Building Manitoba Fund for municipalities for 2006.

Today's budget reduces education taxes, personal income taxes, small business taxes, and corporation taxes. Mr. Speaker, taxes are lower today than they were in 1999 – more affordable for families, more competitive for business. We have met or exceeded every tax reduction promise we made to Manitobans.

And we are delivering on our commitments within a responsible, balanced fiscal framework. Mr. Speaker, I am pleased to announce that Budget 2006 is our seventh consecutive balanced budget under balanced budget legislation. Furthermore, Budget 2006 anticipates a surplus of $148 million on a summary basis.

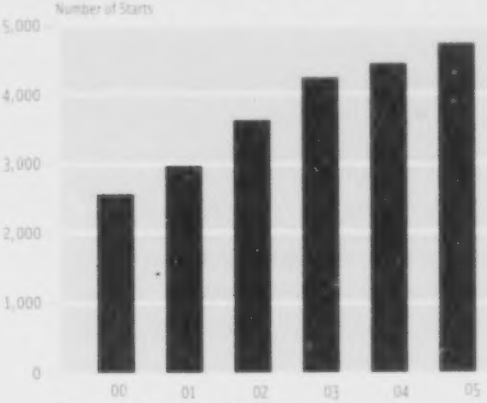
Today, there is renewed optimism and confidence in Manitoba. We have more work to do, but results show that we are on the right path.

Our economy is performing well, with the second-lowest unemployment rate in the country, and economic growth of 2.9% in 2005. A growing confidence is reflected in rising consumer spending and business investment. Over the past five years, Manitoba has experienced:

- 33% growth in retail sales;
- 14% growth in merchandise exports – twice the national rate;
- 85% growth in housing starts, one of the best increases among provinces; and
- 30% growth in real investment in machinery and equipment – almost double the rate for Canada.

Mr. Speaker, the Government of Canada has signed a number of important federal-provincial agreements with Manitoba. These agreements were undertaken on behalf of the people of Manitoba to advance their priorities – on child care, the Kelowna Accord on Aboriginal issues, the Floodway Expansion Project, immigration and training. Our government will work diligently to uphold our responsibilities and meet our obligations under these agreements, in the interest of all Manitobans.

## Manitoba Housing Starts, 2000-2005



Source: Canada Mortgage and Housing Corporation

Recent meetings of the Council of the Federation focussed on the critical need for new federal support for post-secondary education and skills training. Continuing strong provincial investment and renewed federal resources are needed to improve productivity and address skill shortages in Manitoba's booming construction industry and other growth sectors. Premiers are calling for a new pan-Canadian partnership with the federal government on post-secondary education and skills training.

We're delivering on our commitments – investing in Manitobans' priorities for health care, education, cleaner water and roads; building a strong, leading-edge, sustainable economy; making taxes more affordable and competitive; and keeping to a sound fiscal strategy and debt repayment plan. We will continue to build opportunities for all Manitobans.

## Education First

Manitoba's Action Strategy for Economic Growth, built on recommendations of the Premier's Economic Advisory Council, is a blueprint for investing in our strengths for sustained economic growth.

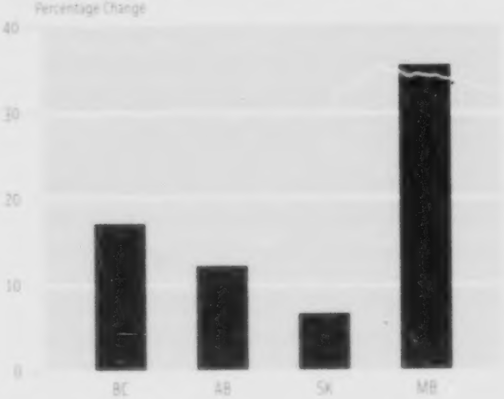
A sound education strategy is at the heart of a solid economic strategy.

We have made great strides in expanding the quality, accessibility and affordability of post-secondary education and training, promoting the knowledge and skills that Manitobans need to compete in a global economy.

In support of education excellence, we have made major investments in post-secondary capital. Our $50 million investment helped kick start a successful $237 million University of Manitoba capital campaign. The new Engineering and Information Technology Complex, co-located with Computer Science, and the new Richardson Centre for Functional Foods and Nutraceuticals, are important signs of revitalization at the University of Manitoba. Provincial investments have also supported the restoration of the University of Winnipeg's Wesley Hall and the new Red River College Princess Street Campus in the Exchange District.

Budget 2006 retains the 10% tuition reduction for students, which has supported a one-third increase in enrolment. As we have done every year, we are providing fully offsetting revenue to universities and colleges to compensate for the tuition reduction, tied directly to the number of students enrolled. Our annual compensation for the tuition reduction has grown from $8 million in 2000 to $13.8 million with today's budget – for a cumulative total of $81 million since 2000. Thanks to increased enrolment, universities and colleges are also benefiting from a 38% increase in tuition income.

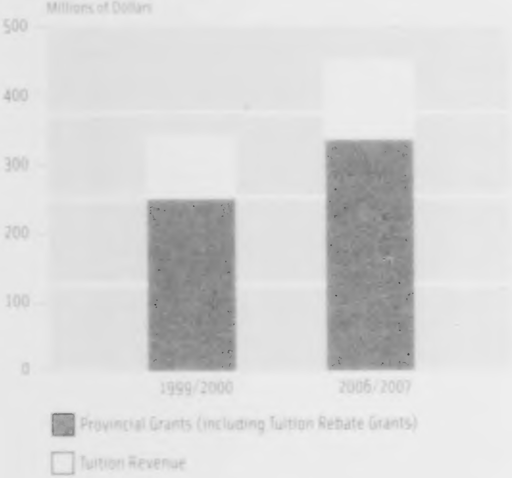
### PSE Enrolment, 1999/2000-2005/2006



Source: Council on Post-Secondary Education

Mr. Speaker, Budget 2006 builds on our record of strong support with a major new three-year funding commitment of $60 million for universities and colleges – this is largest commitment of its kind in Manitoba's history. Provincial operating grants to universities and colleges will increase by 5.8% in the coming year. In addition, the elimination of all property taxes for universities is equivalent to an additional 1.2% increase – taken together a 7% operating boost. Colleges and universities will receive a 5% increase in each of the following two years. New multi-year funding will better enable our post-secondary institutions to plan, grow and develop

## Manitoba Public Universities Grant and Tuition Revenues



Source: Council on Post-Secondary Education

programs to address labour market needs and to better co-ordinate research activities. We are making this new commitment at a time when the federal share of provincial funding for post-secondary education is 7%, down from 15% in the 1990s.

In addition, Mr. Speaker, Manitoba is working with other provinces and the federal government to establish a new pan-Canadian partnership on post-secondary education and skills training. We are committed to investing additional dollars if new federal resources are provided, to support education excellence, comprehensiveness, lifelong learning, affordability and accessibility.

Today's budget increases resources for:

- the College Expansion Initiative, to continue expanding educational opportunities;
- Adult Learning Centres, to deliver adult-appropriate high school and upgrading programs;
- ACCESS programs, to make education and training more accessible; and
- training partnerships with industry, to address skills gaps in growth industries.

Mr. Speaker, Budget 2006 expands the Graduate Scholarship and Hope Bursary programs established by our government, to encourage bright and talented students to stay in Manitoba. Funding from the Canada Millennium Scholarship Fund is also increasing.

Through a new federal-provincial Labour Market Partnership Agreement, targeting workers outside the post-secondary system, new funding will support apprenticeship, literacy and essential skills, workplace skills development and enhanced work force participation of Aboriginal people, immigrants and persons with disabilities. The new Agreement creates an important opportunity to better serve Manitobans who may have had limited attachment to the work force in the past.

Mr. Speaker, for the seventh year in a row, we are keeping our government's commitment to public schools by increasing funding by the rate of economic growth. This year's increase brings total provincial operating funding to $926 million.

We are supporting *The Appropriate Educational Programming Act*, proclaimed last year, by continuing to make investments in special needs education.

Increased funding is also being provided for English as an Additional Language for students who have refugee and war-affected backgrounds. Budget 2006 provides new resources for Careers in the Arts, Leadership Scholarships for Youth, and a new Manitoba Career Guide.

Today's budget provides resources to respond to the Public Libraries Review, which will enhance public library service, including to under-served First Nations.

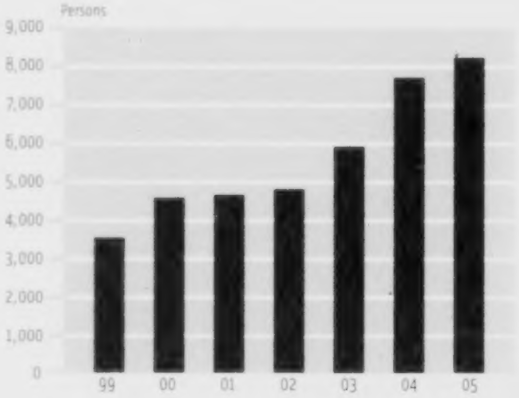
## Growing through Immigration

Over the last five years, Manitoba has experienced strong population growth – an increase of more than 30,000 people, up from an increase of 18,700 people during the previous five years. This year, we expect our population to continue growing, but at a reduced rate – a trend common to most provinces. Our government is taking action to increase immigration to our province and to encourage young people to make Manitoba their home.

Budget 2006 extends our successful Co-operative Education Tax Credit to a broader range of employers. In addition, Mr. Speaker, I am pleased to announce the introduction of a new Co-op Graduate Hiring Incentive to support the employment of Manitoba co-op education students and graduates at home in our province.

Expanding the number of new immigrants coming to Manitoba is an important element in our growth strategy. Immigration helps meet the expanding needs of our labour market, while adding to Manitoba's already rich cultural fabric.

**Manitoba International Immigration 1999 to 2005**



Note: data is for year ending October 1, 2005

Source: Statistics Canada

Mr. Speaker, for the first time in almost 40 years, more than 8,000 immigrants made Manitoba their home in 2005. Manitoba's Provincial Nominee Program – a leader in Canada – is responsible for 80% of economic immigration to Manitoba, and continues to receive the largest share of all Provincial Nominee landings in Canada.

With new federal support, Budget 2006 provides 20% more funding to strengthen immigration integration services, to provide a better start for newcomers to Manitoba.

Today's budget expands support for Manitoba's rich network of ethnocultural community organizations.

## Research and Innovation

Investments in research and innovation are investments in productivity, new product development, competitiveness and scientific discoveries.

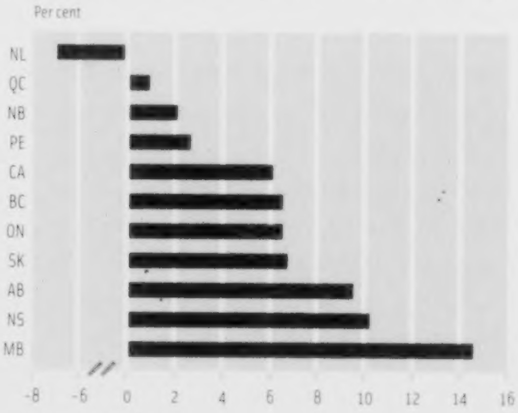
Building on last year's 33% increase in the Research and Development Tax Credit, today's budget increases our support for the Manitoba Centres of Excellence Fund, increasing investment in world-class research being performed right here in Manitoba.

Budget 2006 makes a new investment in the Industrial Technology Centre to assist small and medium-sized businesses to develop and grow. Recognizing the unique opportunities that exist in the digital media industry, today's budget also doubles the capacity of the Manitoba Interactive Media Fund, to support this growing sector.

Manitoba's biotechnology sector continues to be among the fastest growing in Canada, with more than 40 active companies and close to 30 research and development establishments. Mr. Speaker, one in 10 Canadian biotech companies, are located in Manitoba, and over 4,000 people are employed by the life sciences industry in the province. Both Cangene Corporation and Biovail Corporation are completing major expansions in Manitoba this year.

We are responding to the need for high-tech human resource development to support the strong growth of this sector. Just this past January, based on a private-public partnership, new state of the art biotechnology facilities were opened at Red River College, offering the most complete biotechnology and pharmaceutical training programs in Canada.

### Capital Investment Growth Intentions 2006



Source: Statistics Canada

## Promoting Investment and Trade

Since 1999, private investment in Manitoba has increased by $1.2 billion – up 30%. Mr. Speaker, a recent Statistics Canada survey shows that private investment in Manitoba is expected to grow by another $540 million in 2006, or 10.4% – an increase twice the national growth rate.

Sustaining this strong growth in investment is essential for continued expansion of our research and innovation capacity, as well as supporting ongoing improvements in the productivity and competitiveness of local business. Our government is committed to doing its part by improving services, implementing regulatory efficiencies, reducing red tape and making taxes more competitive.

According to a recent study by the Canadian Federation of Independent Business, Manitoba is tied with Alberta for the second-lowest overall cost of regulation relative to GDP. Our government will take further action, in consultation with the Premier's Economic Advisory Council, to improve our competitive advantage.

Over the next year, our government will put in place the infrastructure necessary to support a significant expansion of e-commerce capability. To ensure that government services are broadly adapted for e-commerce delivery, we will ask all areas of government to review their services and develop implementation strategies to accelerate the move to e-commerce.

We are also working to:

- expand the Canada-Manitoba Biz Gateway for one-stop, click, call and visit business services;
- extend use of the common business identifier for easier registration and internet servicing; and
- establish BizPal service in partnership with the federal government and municipalities to streamline information about business requirements to make compliance easier and less expensive.

Manufacturing is one of the most important sectors of Manitoba's economy, supporting close to 70,000 jobs. Mr. Speaker, manufacturing investment is expected to grow by a remarkable 61% this year – the best in the country.

Last year, in recognition of the pressures imposed by a high Canadian dollar, and to encourage more investment by the manufacturing sector, our government made used equipment, machinery and buildings eligible for the Manufacturing Investment Tax Credit. Mr. Speaker, I am pleased to announce that our government is renewing the Manufacturing Investment Tax Credit and increasing the refundable portion of the Credit from 20% to 35%.

Growing entrepreneurship is key to Manitoba's ability to increase investment, create jobs, innovate and generate wealth. Our government recognizes the value in connecting the wisdom of our more experienced and successful entrepreneurs, to those just starting out. Budget 2006 makes a new investment in BizCoach Manitoba, an innovative business mentoring service for small business, which connects successful business leaders to act as mentors to new entrepreneurs, improving their chances of success.

Mr. Speaker, Manitoba has a dynamic and diversified $42 billion economy with a growing focus on world trade. Over the past decade, the value of Manitoba's exports relative to GDP has risen to 65% from 53%. Our government is working in partnership with business leaders to market Manitoba as a gateway for trade and investment in North America.

We have worked to diversify the international markets in which our small-to-medium-sized companies do business. Our non-U.S. bound exports have increased from 19% to 24% of total exports over the last four years. Last month, our Premier led a trade mission to India – the largest trade mission in Manitoba history, including more than 45 business participants. Tapping into growing, emerging markets, like India and China where our companies have opportunities for strategic joint ventures, is a key part of our international strategy.

## Clean Energy for a Green Economy

The actions taken by Manitobans have made our province a world leader in developing clean energy and addressing climate change – this is a legacy we can all be proud of. With our clean energy advantage – in hydro, wind and biofuels – Manitoba is uniquely placed to preserve and protect our environment, while at the same time developing a strong, green economy.

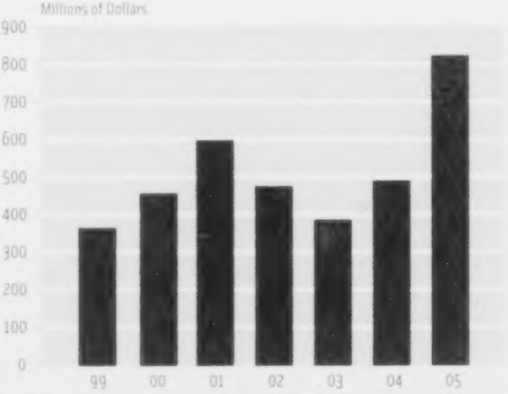
> ***"Sustainable Development has become an economic linchpin in the Canadian province of Manitoba."***
>
> Business Week, December 2005

Manitoba residential and business users are fortunate to enjoy among the lowest electricity costs in the world. Building our clean energy advantage is a key element of our Growth Strategy, and Budget 2006 expands resources for clean energy development.

Hydro exports have increased from $363 million in 1999, to an all-time high of $818 million in 2005 – that's growth of 125%. With the potential to double our existing energy capacity, Manitoba Hydro is well-positioned to take advantage of growing export markets to the east, west and south.

Manitoba Hydro and Nisichawayasihk Cree Nation are proposing to develop the 200 MW Wuskwatim hydro dam in full partnership. Advancing the development of Conawapa to capture export markets will provide enormous community and economic benefits for Northern Manitoba and the province as a whole, including more than 40,000 person years of employment.

### Manitoba Hydro Exports*



Note: Hydro exports include international and interprovincial exports

Source: Manitoba Hydro

Manitoba is leading the push for an expanded east-west energy grid to increase interprovincial energy sales and improve national energy security.

We are also moving forward on our hydrogen strategy, making advancements in research and development, production, refueling and value-added manufacturing. Winnipeg – North America's "Bus Manufacturing Capital" – hosted the first on-road trial of a hydrogen-engine-powered bus in Canada, an accomplishment made possible through a broad public-private-education partnership.

Manitoba is a leader in ground-source heat pumps – one of the fastest growing industries in North America. The number of home heat pumps has quadrupled over the past four years in Manitoba – more than anywhere else in Canada. Heat pump applications are expanding into all areas: homes, office buildings, arenas, schools, and major housing developments. Manitoba is working to make ground-source heat pumps a prime feature of our new Waverley West housing development.

Manitoba Hydro has launched expanded Power Smart programs for residential, commercial and industrial users, promoting customer savings through more efficient use of energy. Over 23,000 residential customer loans, totalling over $78 million, have been approved to date – proof, Mr. Speaker, that Manitobans are saving money by becoming more "power smart."

Through our new Green Manitoba office we are rolling out new eco-solutions that work for Manitobans around energy efficiency, water conservation and waste reduction activities. Green Manitoba will encourage environmental innovation and community development.

## Protecting our Water Resources

So much of what we're building today begins with water – clean water is at the heart of our ecosystems, our communities and our economy. Today's budget puts high priority on protecting our drinking water, our ground water and our unique network of lakes and rivers.

Budget 2006 expands resources for improved drinking water safety initiatives, building on the establishment of the Office of Drinking Water and our government's *Drinking Water Safety Act*.

Protecting Lake Winnipeg – the 10th largest freshwater lake in the world – is a responsibility that we all share. Our government is taking further steps this year to protect our lakes and waterways from excess nutrient loading, with a focus on improving Lake Winnipeg water quality, and reducing algae blooms on the lake as well as other rivers and streams. New staff will be added to support implementation of *The Water Protection Act* to better protect ground and surface water.

Budget 2006 provides a new incentive for farmers to adopt beneficial water-related practices.

Today's budget expands resources for:

- more Conservation Districts to advance watershed planning;
- the Canada-Manitoba Hydrometric program for flood forecasting;
- the Manitoba Water Services Board; and
- the Environmental Livestock Program to support improved environmental performance.

Budget 2006 provides for a new intake under the enhanced Riparian Tax Credit program that helps protect sensitive lands bordering waterways.

## Natural Areas and Environmental Stewardship

Today's budget provides resources for a new and improved made-in-Manitoba parks reservation system, with bookings to be offered through a call centre, the Internet and now on-site at campgrounds. To enhance public safety, we are also extending 911 emergency service to five major provincial parks, and increasing resources for parks maintenance.

Our initiative to make 1,000 cottage lots available has sparked significant interest from Manitoba families. More than 600 cottage lots have been newly offered through draws, triggering almost half a million hits on our website. This year, Mr. Speaker, we will reach our 1,000 new cottage lots goal. Budget 2006 provides additional resources for campground upgrades, including more yurts, as well as expanded electrical, washroom and shower facilities.

Since 1999, we have designated new provincial parks and added to our network of protected areas, including the recent addition of Tall Grass Prairie Preserve, made possible in partnership with the Manitoba Naturalist Society. Over the last two years, we have established five new ecological reserves, offering the highest level of protection. We have also extended designation of the Fisher Bay and Birch Island Park reserves for an additional five years.

Mr. Speaker, Budget 2006 provides additional resources to advance the First Nations-Manitoba-Ontario UNESCO World Heritage site nomination, and doubles our grant to the Nature Conservancy of Canada's National Campaign for Conservation to $200,000. We are also increasing support to the International Institute for Sustainable Development.

In recognition of the unique communities, ecosystems and circumstances on the east side of Lake Winnipeg, our government launched the East Side Planning Process, which has given rise to an inclusive process for engaging First Nations on an ongoing basis in building for their future. Today's budget increases resources for the Wabanong Nakaygum Okimawin land planning process as well as sustainable resource-management priorities, including the Island Lake energy efficiency retrofit pilot project and the successful River Stewards program.

## Emergency Preparedness

Mr. Speaker, our government is taking seriously the risk of a global pandemic. The importance of being prepared in the case of such a catastrophic event cannot be overstated. Manitoba has a strong pandemic response plan. We are working across human and animal health disciplines to deal with an outbreak should the need arise. We have worked with regional health authorities and municipalities to ensure that their emergency action plans are fully up to date. Manitoba has stockpiled 600,000 doses of anti-viral drugs as part of our preparation. Our planning is ongoing, in partnership with the Emergency Measures Organization, regional health authorities and the Chief Medical Officer of Health. We are also working with schools, businesses, and community and professional organizations to strengthen their capacity to plan and prepare for the possibility of an influenza pandemic.

Budget 2006 expands Manitoba's Emergency Measures Organization to support planning for business continuity in all areas of government service in the case of an emergency. Today's budget also provides new resources for foreign animal disease surveillance, early warning diagnosis, and enhanced rapid response capacity, overseen by Manitoba's new Chief Veterinarian.

Supported by a federal partnership, Budget 2006 provides over $200 million in capital funding to advance construction of the Floodway Expansion Project. Prior to beginning the project, Canada and Manitoba invested $130 million in flood protection. Renewing a federal partnership for completion of the Floodway Expansion is a top priority.

## Improving Health Care

Mr. Speaker, since 1999, we have been rebuilding our health care system. We have invested in training and expanding the number of health care professionals, in medical innovation and technology, in overdue health care capital projects, in expanded healthy living and prevention initiatives, and in delivering care sooner, and closer to home.

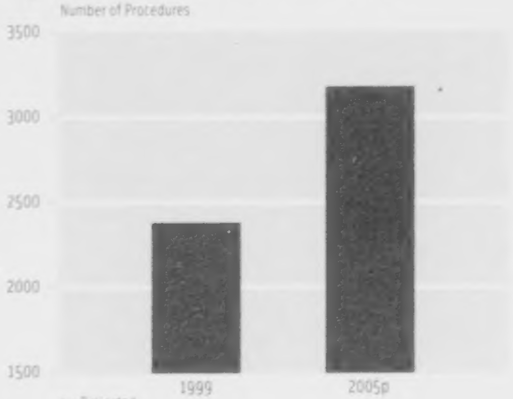
Our top health care priority remains reducing wait times, not only for critical life and death treatments – where we have made some important gains – but also for key quality-of-life procedures, where we are dramatically increasing the number of hip and knee procedures.

Since 1999,

- the average wait time for cancer radiation treatment has been reduced from six weeks to one week; and
- the wait time for cardiac surgery has been reduced by more than one third.

Mr. Speaker, Budget 2006 invests in creating a new, state of the art, Centre of Excellence in cardiac surgery at St. Boniface General Hospital. With this investment, we are implementing the last major recommendation of the Koshal report.

## Hip and Knee Surgeries, Winnipeg



p - Projected

Source: Winnipeg Regional Health Authority

With expanded capacity at Concordia, Brandon and Boundary Trails hospitals, we are on pace to complete more than 3,500 hip and knee surgeries this year, an increase of more than 800 from last year, including 700 in Winnipeg.

Improving health care is a commitment to all regions of the province. Budget 2006 continues our investment in increasing diagnostic testing and bringing health care services closer to home.

Our public health care system has more than quadrupled the annual number of MRIs since 1999, with the addition of new MRI machines, including the first MRI located outside of Winnipeg, at the Brandon Regional Health Centre, and the first community-based MRI at the Pan Am Clinic. Mr. Speaker, I am pleased to announce that we are adding a new MRI machine to Boundary Trails Hospital in Winkler/Morden.

More than 20,000 additional MRI tests will be performed at the Health Sciences Centre, St. Boniface General Hospital and the Pan Am Clinic over the next three years.

Since 1999, the number of CT scans has almost doubled. CT scanners are now available in Steinbach, Selkirk, Portage la Prairie, The Pas and Thompson, and are being upgraded in Brandon and Dauphin.

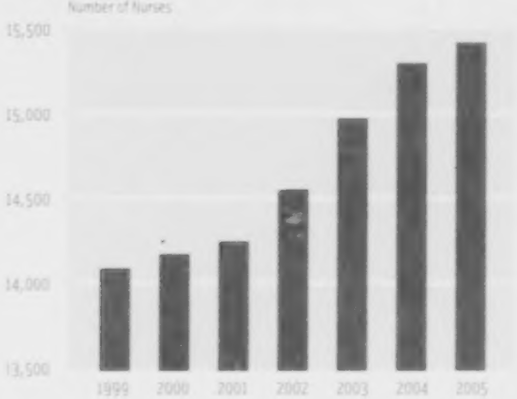
More than 15,000 additional CT scans will be performed over the next three years.

Mr. Speaker, Budget 2006 completes the replacement of our entire 160 ambulance fleet with new models for improved patient care and safety. This year, we will be opening a new transportation and communication centre in Brandon to co-ordinate medical dispatch and emergency response.

Our Wait-time Reduction Strategy goes above and beyond national priorities. Budget 2006 invests in:

- more pediatric dental surgeries – building on our success in reducing the wait list in the Winnipeg region by 60% since January 2005;
- increased testing for sleep disorders to help reduce unacceptably long wait lists;
- pain clinic expansion at the Pan Am Clinic to dramatically reduce the wait list; and
- expanded community mental health programs.

### Active Practicing Nurses in Manitoba 1999-2005



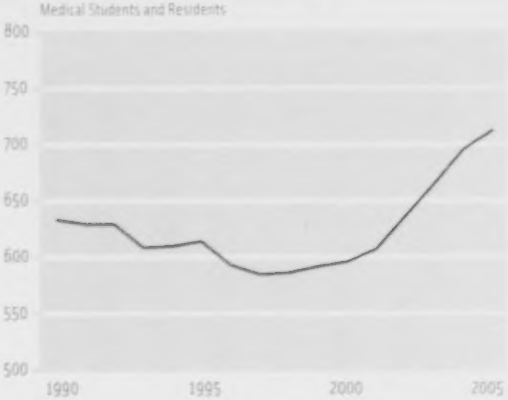
Sources: College of Registered Nurses of Manitoba
College of Registered Psychiatric Nurses of Manitoba
College of Licensed Practical Nurses of Manitoba

Budget 2006 invests in health care innovation and expanding our centres of excellence. In addition to the new St. Boniface cardiac centre, we are supporting the massive reconstruction of the Health Sciences Centre to serve all of Manitoba, with fully modernized operating and emergency rooms. Concordia Hospital's centre of excellence in hip and knee surgery has completed 400 more surgeries this year than last.

Budget 2006 invests in the redevelopment of the Selkirk Mental Health Centre. It will provide new space and enhanced programming to meet the needs of Manitobans living with acquired brain injury and mental illness. In addition, we are expanding assertive treatment for people who are ready to live in the community, but need support to achieve their goals.

In 1999, we were faced with a declining number of health care professionals. We have taken action. The number of doctors in training has increased by 20%, from 591 to 712. Our program to increase the number of nursing education

### Manitoba Doctors in Training



Sources: Canadian Post-M.D. Education Registry
University of Manitoba Faculty of Medicine

seats has more than tripled the number of graduates. Today there are over 1,300 more nurses practicing in Manitoba.

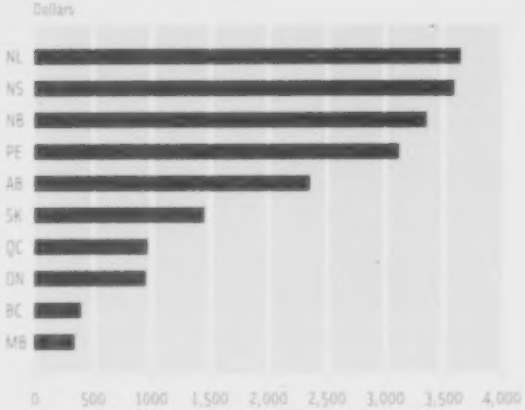
Mr. Speaker, Budget 2006 fulfills our commitments to:

- increase the number of medical spaces at the University of Manitoba from 70 to 100;
- increase the intake for international medical graduates to 25 spaces;
- increase enrolment in nursing training to 3,000; and
- increase technologist training to 57 seats – exceeding our commitment.

We continue to work with communities and regional health authorities on recruitment and retention of physicians through our new Physician Resource Co-ordination Office. We are also offering new opportunities to expand nursing roles within our health care system.

### Annual Out-of-Pocket Costs for Diabetes Medication & Supplies

Low-Income Case Study



Source: Canadian Diabetes Association, Diabetes Report 2005

With our First Nations and Metis partners, we continue to work with the federal government to meet the unique health needs of Aboriginal communities. Budget 2006 expands the federal-provincial Chronic Disease Prevention Initiative to 40 communities throughout Manitoba – an initiative singled out by the Assembly of First Nations as a model for delivering health services in Aboriginal communities.

The Canadian Diabetes Association has recognized the low out-of-pocket costs for diabetes drugs in Manitoba. Manitoba ranked first among provinces for the lowest out-of-pocket expenses for an individual with Type 1 Diabetes with a family income of less than $15,000. Mr. Speaker, I am pleased to announce that we are increasing affordability by eliminating the retail sales tax on lancets and blood glucose monitors purchased by diabetics.

Our Pharmacare program covers medication costs for Manitobans in medical and financial need. We have adopted best practices and expanded the use of generic drugs to control costs. Nonetheless, the cost of this important program continues to grow, underscoring the need for a national Pharmacare system. This year, Pharmacare deductibles will increase by $3-$6 per month for most Pharmacare families. We are improving the program this year with new flexible payment options.

In establishing our Healthy Living Ministry, we recognized that there are challenges to be overcome, and opportunities to be seized to encourage Manitobans to live healthier lifestyles.

Manitoba was the first province to introduce a province-wide indoor smoking ban. Statistics Canada recently reported that the first half of 2005 saw a reduction in the smoking rate for 15-19 year olds in Manitoba from 21% to 16%.

We know that differences in determinants like smoking, physical activity, nutrition, gender, economic circumstances, and physical environment play an important role in determining health outcomes.

Mr. Speaker, we know that healthy, active children are more likely to become healthy, active adults. The federal government has announced its intention to introduce a Children's Physical Activity Tax Credit, and I am pleased to announce that Manitoba will complement this worthwhile initiative when it is introduced with a parallel credit, to encourage greater participation by children in sports, recreation and other physical activity.

Our government is moving forward on the recommendations of the Healthy Kids, Healthy Futures Task Force. Last fall, we launched the Manitoba's "in motion" activity program to help Manitobans, especially kids, get active and stay healthy. Budget 2006 provides resources to expand the number of "in motion" communities.

This year, we will be introducing new healthy food and nutrition guidelines for schools, as well as extending and strengthening curriculum for health and physical education. Mr. Speaker, we are also kick starting a new bicycle safety program by purchasing 1,000 bike helmets to be made available to Manitoba kids, in partnership with KidSport.

Mr. Speaker, through Healthy Child Manitoba, Budget 2006 provides new resources to expand:

- the Healthy Baby program to more communities to ensure that babies get a healthy start in life;
- *Centres de la petite enfance et de la famille* into more Francophone schools, bringing together child development and early learning resources and services for parents; and
- supports for teens through the school-based teen clinic initiative.

Our government, working in co-operation with pharmacists and retailers, is implementing a comprehensive strategy to combat the dangerous street drug, crystal meth, including restricting the sale of products that can be used to make crystal meth, as well as a far-reaching public education campaign about the dangers of the drug. Mr. Speaker, today's budget commits $2 million in new annual funding for our strategy on crystal meth and addictions.

## Supporting Children and Families

Mr. Speaker, our government continues to take a comprehensive approach to supporting families, including special initiatives to help vulnerable Manitobans and combat poverty on many fronts.

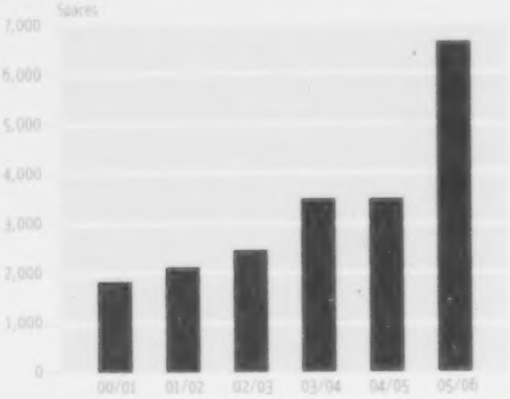
Manitoba has been a strong voice on Aboriginal issues, pressing Canada and all provinces to commit resources for Aboriginal health, education, housing, water and sewer, and economic development. The Kelowna agreement, reached last fall, identifies key priorities and makes important commitments to close the quality of life gap between Aboriginal and non-Aboriginal people. Manitoba will continue to work with Aboriginal people to champion the Kelowna Accord to ensure that promised investments are made. We are committed to doing our part.

During our first years in office, we kept our promise to restore the National Child Benefit. Mr. Speaker, every year we are putting $13.7 million back into to the hands of families who need it most.

In 2002, in advance of a federal-provincial partnership on child care, our government launched a major five-year plan focussed on expanding the number of child care spaces and investing in early childhood educators. In April of last year, the Government of Canada signed agreements with Manitoba, Ontario and Quebec providing new multi-year federal funding for child care and early learning. Building on our five-year plan, our quality public child-care system would be enhanced, with new and expanded choices for Manitoba families:

- 1,650 newly funded child-care spaces for Winnipeg;
- 700 newly funded spaces for Brandon, Portage la Prairie, Dauphin, Russell, Swan River, Teulon, McCreary, Souris, Arborg, Springfield, Morden, Beausejour, Shilo, St. Pierre-Jolys and other rural Manitoba communities;
- 68 newly funded spaces for the northern communities of The Pas, Thompson, Gillam and Churchill;
- capital funding for the renovation, expansion and construction of new child-care facilities; and
- new training spaces and wage increases for early childhood educators.

### Newly Funded Early Learning and Child Care Spaces in Manitoba Since 2000



Source: Manitoba Family Services and Housing

We will work with the Government of Canada and other provinces to find a positive balance between the promises made by the federal government and the investments we are making to expand child-care choices for children and families throughout Manitoba.

Our government is increasing the supply of affordable housing to address growing demand. Under the federal-provincial Affordable Housing Initiative and other housing programs, we have invested in the repair, renovation and construction of 3,000 housing units in Winnipeg, Brandon and Thompson. Our government will also be introducing legislation to dedicate profits from our Waverley West and other suburban housing developments to inner-city housing and community development.

In addition to addressing housing supply, our government is undertaking a major restructuring and enhancement of Manitoba's existing shelter allowance system, an important step in our strategy to reduce poverty. Mr. Speaker, we are providing $7.8 million in support to assist low-income individuals and families deal with rising shelter costs. More than three times as many individuals and families will qualify for support under our new program, including many more persons with disabilities, who will qualify for a new benefit of up to $2,400 per year.

Today's budget invests $13.6 million more for supported living for persons with mental disabilities, part of our commitment to supporting dignity, quality of life, and opportunities for independence.

Our government has improved employment and income assistance benefits, including new supports to help secure employment, build independence, and improve quality of life. There are now 2,490 fewer individuals and families receiving income assistance benefits than there were in 1999. Budget 2006 invests in creating a new active training and employment assistance program for people searching for work, to reduce search times and improve their chances of successfully finding employment.

Today's budget also builds on our record of enhancing the quality of life of Manitoba seniors. Budget 2006 invests in a Healthy Aging strategy for seniors, including new resources to expand community-based services, improve access for seniors to government services, and expand Manitoba's strategy to prevent elder abuse.

Our government is making important investments to enable more seniors to live in their communities, with our new Aging in Place strategy, a four-year $98 million long-term care strategy for seniors to increase community living supports and provide alternatives to institutional care.

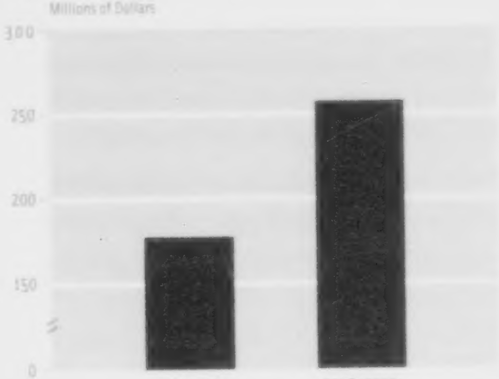
## Building Manitoba

Mr. Speaker, our government is building for today and building for tomorrow.

Our record of investment in infrastructure priorities is evident all across the province. Since 1999, we have focussed on overdue investments in capital for health care, public schools, post-secondary education, highways, and vital water and municipal projects.

In 1999, a promised new hospital for Brandon remained unbuilt and the Health Sciences Centre continued to deteriorate. Our government delivered on these important capital projects. Mr. Speaker, we have delivered a new

**Highways Expenditure***



* Includes new construction, winter roads and maintenance
e – estimate

Source: Manitoba Transportation and Government Services

hospital for Brandon, and the largest ever health care capital project to reconstruct the Health Sciences Centre.

With our seven budgets, we have provided capital support of more than $200 million for universities and colleges, and $378 million for public schools.

Manitoba's construction industry is poised for accelerated growth, supported by major capital projects such as the Floodway Expansion, and new hydro generating stations, and our government is making Aboriginal training and employment a priority.

Mr. Speaker, Budget 2006 provides for more than $29 million in additional highways expenditures for new construction, winter roads and maintenance. This year's record support of $257 million for highways advances priority projects like the twinning of Highway 1 to the Saskatchewan border, continuing work on the east side perimeter, resurfacing Highway 6 north of Grand Rapids, and strengthening Highway 68 through the Interlake to RTAC standards. New funding will support significant investments to address emerging needs on Highway 1 east of Winnipeg and Highway 75 to the south.

Mr. Speaker, Budget 2006 provides for a 30% increase in water infrastructure projects, and funding specifically for drainage is more than doubling. New funding will support the Gimli regional sewage treatment system and initiation of the Yellowhead regional water supply pipeline.

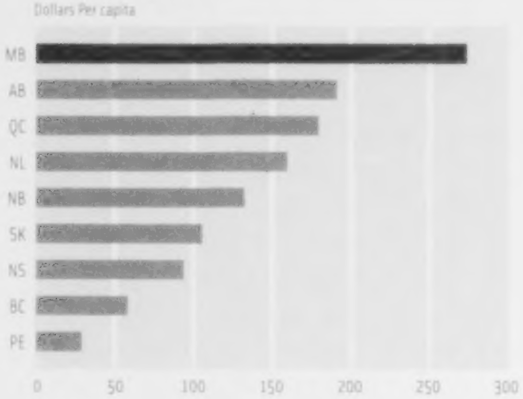
We are providing $32 million under cost-shared agreements so that municipalities can advance infrastructure and other priorities, such as the Kenaston Underpass, Winnipeg's Waste Water and Treatment Upgrade, Brandon's Keystone Centre, the Parklands' Telecommunications Network, and Broadband Communications North.

Building for the future also involves revenue sharing with municipalities. Manitoba continues to be a leader in support for municipalities in Canada.

Our last budget established the new Building Manitoba Fund, providing $119 million to support Manitoba municipal infrastructure and services. The Building Manitoba Fund expanded Manitoba's income and corporation tax revenue sharing arrangement to include fuel tax revenue sharing, providing municipalities with three major sources of growth revenue.

The Building Manitoba Fund is working the way it was intended, growing by $7.9 million in 2006.

## Provincial Funding Support to Municipalities



Source: Statistics Canada

Note: 2004 (most recent data available)
excludes Ontario where, unlike all other provinces, municipalities are largely responsible for social welfare programs and receive transfers from the provincial government

Mr. Speaker, the City of Winnipeg will receive increased funding of $4.5 million, or 5.7%, in 2006 through the Building Manitoba Fund, including more funding for transit. This is the second year in a row that funding for transit is increasing by over 15%.

The Building Manitoba Fund will also provide an additional $3.4 million for outside of Winnipeg in 2006, including increased payments to all municipalities, and a dedicated fund for municipal recreation and library facilities. Over the next two years, Manitoba will provide $7.0 million through the Building Manitoba Fund for municipalities to invest in recreation and library facilities.

In keeping with our commitment, Budget 2006 provides for a new grant to the City of Winnipeg to assist with property assessment costs – this provides the same treatment as for other municipalities. This funding gives the City new financial flexibility to meet City budget priorities, such as investments in roads.

In 2005, we began sharing 5% of casino revenues with the City of Winnipeg. In keeping with our commitment, casino revenue sharing is increasing to 10% in 2006.

## Revitalizing our Cities

A partnership approach to working with the City of Winnipeg is showing impressive results. Winnipeggers can see the signs of downtown revitalization in projects like:

- the popular 15,000-seat MTS Centre;
- the newly reopened Millennium Library;
- construction of the new environmentally designed Manitoba Hydro headquarters; and
- new residential redevelopment along Waterfront Drive.

According to a new study by the Downtown BIZ, Winnipeggers' visits to the downtown are up 50% since 2003 – largely due to new downtown attractions, more university and college students, and more people living along the waterfront and in the Exchange District.

Mr. Speaker, last year our government expanded our successful Neighbourhoods Alive! program to seven new areas in Winnipeg. Budget 2006 provides second-year funding to support this expansion, providing more communities with resources to support neighbourhood revitalization.

This year, our government will extend our support for community economic development to a new, innovative Community Financial Service Centre pilot project in the North End of Winnipeg. The new community centre will provide affordable, accessible financial services, helping to address the declining presence of mainstream financial providers and the expansion of payday lenders.

The City of Brandon is also undergoing significant renewal, Mr. Speaker.

Our government has supported the $15 million redevelopment of Brandon's Keystone Centre. A tri-partite partnership, Keystone's new Agriculture Centre of Excellence will be completed by the end March, in time for the Royal Manitoba Winter Fair.

Mr. Speaker, the province has committed to a substantial relocation of the Assiniboine Community College campus to the former Brandon Mental Health Centre site. We will work in partnership with the City of Brandon to advance this initiative.

Brandon University's new Wellness Centre will provide expanded opportunities for the residents of Brandon and surrounding communities to get active. The development of the new national Curling Hall of Fame will provide yet another attraction for the City of Brandon.

Neighbourhoods Alive! has contributed $1.8 million to date for revitalization activities in Brandon, including almost half a million in downtown projects. Our government will continue to work with the City of Brandon on their downtown renaissance district initiative.

## Rural Manitoba

Mr. Speaker, agricultural producers faced a number of challenges over the past year, including significant overland flooding, the lingering impact of the border closure, and weather-related weakness in crop production. Rural Manitobans have once again demonstrated their dedication and hard work in addressing these challenges. The partial reopening of the U.S. border to cattle and improvements in livestock cash receipts are positive developments. Our government remains committed to working with farm families, producers and industry to build a strong and diversified rural economy.

Manitoba has provided for a doubling of relief for farm families for 2005/06 through a $104 million provincial contribution to the Canadian Agricultural Income Stabilization program. Manitoba farmers have received over $500 million in production insurance payments for lost crops over the past two years – the largest two-year payout on record in Manitoba. Today's budget provides a further enhancement to our excess moisture support program, providing farmers with new options to increase their coverage.

Our government's Growing Opportunities initiative is helping to meet the changing needs of today's farmers and their families and to capture rural economic development opportunities. Economic development officers are now in place in each of our 10 GO teams throughout rural Manitoba. Our government is consulting with rural and northern communities about new ways to create opportunities for increased economic development, jobs, slaughter capacity, and value-added processing.

Provincial investments are supporting a unique international calibre cluster in research and development and commercialization of functional foods and natural health products, including:

- the new Richardson Centre for Functional Foods and Nutraceuticals at the University of Manitoba;
- the Canadian Centre for Agrifood Research in Medicine in St. Boniface; and
- the newly expanded Food Development Centre in Portage la Prairie.

A growing number of products are being farmed in Manitoba, and finished in Manitoba. Our government's investment in the Food Development Centre made it possible for Great Plains Aseptic Processors to partner on R&D. Today, Great Plains is processing Manitoba's own Peak of the Market gourmet soups at its facility in Portage la Prairie. In St. Agathe, Associated Proteins, the successful oilseed crushing facility, is now in full commercial production, using Manitoba canola and creating rural employment opportunities.

Mr. Speaker, there is growing excitement in rural Manitoba today about harvesting Manitoba's new clean energy crops: wind, ethanol and biodiesel.

Manitoba's first wind farm, a $210 million project in St. Leon, will be in full production this year, generating $9 million in land lease payments to farmers in rural Manitoba over the life of the project. Proposals for wind developments of up to 1,000 MW over 10 years are presently being reviewed. Developing 1,000 MW is expected to generate $2 billion in investment and $100 million in wind-rights payments to land owners.

Manitoba's legislation to mandate the use of ethanol, along with federal funding, is supporting Husky Oil's $145 million investment to expand Minnedosa's ethanol plant. With increased production to 130 million litres per year, Husky's plant expansion provides the possibility of an additional $80 million per year in income for farmers who sell their crops for the manufacture of this cleaner fuel.

Our government is acting on the advice of the Manitoba Biodiesel Advisory Council, taking important steps to promote biodiesel production in our province. We are partnering with the federal government to deliver a $1.5 million Biodiesel Production Program to promote the development of smaller, community-based production facilities supplying biodiesel to local and regional markets. Mr. Speaker, we will be providing further support to grow the biodiesel industry across Manitoba.

Budget 2006 provides new resources to pursue a federal partnership to double the number of Manitoba soil survey teams. The work of these new teams will enhance mapping for the implementation of the new Water Protection and Planning Acts, ensuring water quality protection in planning for new developments.

Today's budget also establishes a new loan program to assist farmers in making economic and environmental improvements to their farm operations, complementing existing incentives under the Agricultural Policy Framework.

Manitoba will have the honour of hosting the Western Premiers' Conference in Gimli in May. We will share the unique beauty of Lake Winnipeg, one of our most precious resources, with Premiers from Northern and Western Canada. This year's conference will be paired with meetings of the Western Governors' Association, providing opportunities to strengthen our partnerships.

## Northern Manitoba

Manitoba's Northern Development Strategy is expanding education, training and skill development in Northern Manitoba.

Our government has made a significant investment in the future of Northern Manitoba in establishing the University College of the North, which now has over 2,000 students registered, in over 40 programs, in 12 locations throughout the North.

Over 800 trainees have already benefited from the $60 million pre-project training partnership between Canada, Manitoba and Manitoba Hydro for northern hydro developments. Our Aboriginal partners are building community capacity through planning and delivery of community-based training.

At Kelowna meetings, leaders set important targets to extend broadband Internet access to remote and Aboriginal communities. Our government is committed to advancing the extension of broadband access to remote and Aboriginal communities, expanding opportunities for education, health care and economic development. Mr. Speaker, working in partnership with the federal government and the private sector, our government is targeting to provide broadband access to 60 remote and Aboriginal communities over the next two years.

Today's budget provides new funding to engage Aboriginal communities in mineral resource activities.

A growing number of Northern Manitoba communities are promoting traditional harvesting, gardening and food self sufficiency. Our Northern Healthy Foods Initiative is supporting projects in this area as positive alternatives to the high cost of commercial foods in remote communities.

Today's budget continues our multi-year commitment to the Churchill Gateway Initiative, helping to market Churchill's shipping advantages to the world.

With Budget 2006, our government, in partnership with the federal government, is supporting the conversion of the community of South Indian Lake into a reserve for Manitoba's newest First Nation, O-Pipon-Na-Piwin Cree Nation. As has long been advocated by First Nations, as well as by the PEAC Aboriginal Summit, Manitoba is committed to working with the federal government and First Nations to fast-track Treaty Land Entitlement settlements.

In lead up to meetings in Kelowna last fall, Manitoba issued a challenge to Ottawa: we will invest in modernizing water and sewer systems in northern communities; the federal government should invest in modernizing water and sewer systems on reserves. Budget 2006 advances water treatment projects in Sherridon, Duck Bay, Dawson Bay, and Mallard, as well as waste water projects in Cormorant and Matheson Island – part of a multi-year strategy for modernizing all Northern Affairs communities. Manitoba will continue to advance the need for federal investment in First Nations water and sewer systems.

## Manitoba Arts and Culture

Arts and culture are an integral part of Manitoba communities and our economy. Budget 2006 continues our support for cultural industries and world-class attractions and events.

Successful films like *Capote*, and the *Falcon Beach* movie-drama-turned-TV series, are promoting Manitoba's reputation as a prime location for movie productions. Since 1999, the film industry in Manitoba has grown from $37 million to its present level of $100 million, almost tripling in size in just seven years. Manitoba will continue to offer a competitive environment for film production relative to other jurisdictions.

Budget 2006 increases support for major cultural organizations. Funding for the Community Festivals program is also growing, expanding support for more rural and northern festivals, celebrations of our diverse culture and heritage.

Aboriginal culture is an important element in Manitoba's heritage and a growing force in contemporary artistic expression. Budget 2006 provides new resources to work with the Aboriginal community to establish a new annual Aboriginal cultural festival.

Budget 2006 continues our commitment to increase funding for Sport Manitoba and supports hosting the 94th CFL Grey Cup Championship Game in Winnipeg this year.

## Safer Communities

Mr. Speaker, reducing crime and improving community safety are important aspects of building healthy communities. Our government's approach to justice has always been: tough on crime, tough on the root causes of crime.

Budget 2006 makes significant new investments in Manitoba's Crime Fighting Action Plan.

Last year, funding for 54 new police positions was provided – the largest funding increase for police in our province's history. Budget 2006 builds on this strong support with a commitment for 31 additional police positions: 23 for Winnipeg, two for Brandon and six to enhance policing in Aboriginal communities.

Manitoba is recognized as having the strongest provincial anti-gang laws in Canada. Budget 2006 doubles the size of the Gang Prosecutions Unit, which has supported over 280 gang convictions since it was established in November 2003. This specialized team will be expanded to 16 positions, including five new prosecutors, to target gang activity.

Based on our experience and best practices from across North America, we are also expanding our strategy to combat gangs with a focus on community mobilization, and intensive supervision and supports for youth at risk. This will complement successful programs already under way, such as the provincially supported Integrated Organized Crime Task Force with the RCMP and Winnipeg and Brandon Police, which is achieving positive results, tackling organized crime at the leadership level.

More than 150 drug dens, and gang and prostitution houses have already been shut down under *The Safer Communities Act* and *The Neighbourhoods and Fortified Buildings Act*, and we will be introducing new measures to further strengthen The Safer Communities Act.

Manitoba's anti-auto-theft initiative, including tougher penalties for car thieves, and Manitoba Public Insurance's popular incentive program for immobilizers, resulted in 1,680 fewer auto thefts last year. Through a partnership with MPI, Budget 2006 provides funding of $1 million to reduce auto theft.

Lighthouses are an innovative initiative of our government, serving as beacons of hope for Manitoba youth, providing after-school recreation, education and social opportunities, and building stronger relationships between youth, communities and the police and justice system around crime prevention. Budget 2006 expands the number of Lighthouses throughout Manitoba to 45, toward our goal of 50.

Our government has also put in place a Community Prosecutor to target street crime and other community-identified priorities in Downtown and West End Winnipeg – part of a first of its kind community-based prosecution strategy in Canada.

Manitoba has gained national recognition for tackling domestic violence and its devastating impacts on families, particularly women and children. The award-winning, Chief Judge led Front End Project has successfully fast-tracked domestic violence cases through the justice system. Our government has passed legislation to protect a wider range of victims of violence, including persons in dating relationships, and to enforce protection orders granted by courts in other provinces. Budget 2006 increases support for community-based family violence prevention initiatives and for crisis accommodations for vulnerable adults. Funding is also increasing for the Victim Services Intervention Unit to work with police in assisting families at risk in situations where formal charges are not laid.

Mr. Speaker, we will be adding a fifth Provincial Court Judge located in the North to serve Aboriginal communities.

Our government established a special Consultative Committee to provide guidance on the location and type of facility needed for a new correctional centre to replace the aging Women's Jail. Our government will be releasing the Committee's report and taking action to implement its recommendations.

In addition, new funding is provided to increase capacity and security at the Dauphin, Headingley and Milner Ridge correctional facilities.

Mr. Speaker, our government has long advocated for changes to the Criminal Code of Canada to ban conditional sentences for serious violent crimes, impaired driving causing death, and sexual offences against children. We have also lobbied for new mandatory minimum sentences for firearms smuggling. We are optimistic that these are areas of shared concern between our government and the federal government.

## Workplace Safety and Health

Mr. Speaker, safety in our communities includes safety in our workplaces. Healthy and safe workplaces are good for workers, good for families and good for business. We are making progress in reducing time loss due to injury – a 20%

reduction has already been achieved. In partnership with the Workers Compensation Board, and building on the success of the SafeWork campaign, Budget 2006 expands resources for workplace safety and health initiatives.

## Tax Savings for Manitoba Families and Business

Budget 2006 is providing tax savings to make Manitoba more affordable for families and more competitive for business.

Manitoba's bottom-line benefits and quality of life advantage make it the ideal place to live, work and raise a family. Manitobans enjoy:

- among the lowest auto insurance rates in the country, and among the lowest electricity rates in the world;
- a quality, affordable higher education system;
- a healthy, attractive natural environment; and
- world-class, affordable arts and cultural activities.

And even with improving housing values, Manitoba still remains one of the least expensive places to purchase a quality home.

Our province boasts a competitive business environment. KPMG's recent study of competitive business costs ranks Winnipeg ahead of Calgary, Vancouver, Montréal, Ottawa and Toronto. Winnipeg also compares favourably with many cities in the U.S., with cost advantages over Minneapolis and Chicago.

Our competitive business advantage is rooted in a unique combination of factors:

- one of Canada's most diverse and stable economies;
- a productive, well-educated and multi-lingual labour force;
- quality, public health care and education systems;
- competitive land, office and construction costs;
- strong research and development capabilities, combined with generous tax incentives; and
- a strategic mid-continent trade corridor location.

Mr. Speaker, for seven years, we have kept or exceeded every tax cut promise we have made. Our government is committed to doing our part to keep Manitoba affordable and competitive.

Budget 2006 delivers on our commitment to eliminate the residential Education Support Levy (ESL), saving Manitobans an additional $34 million this year. This is an annual saving of $163 on a $150,000 home. Mr. Speaker, there is now one less tax in Manitoba.

After 11 years of rising residential property taxes, each of our seven budgets have reduced provincial education taxes for homeowners. We are committed to making further progress on education taxes for homeowners with future budgets.

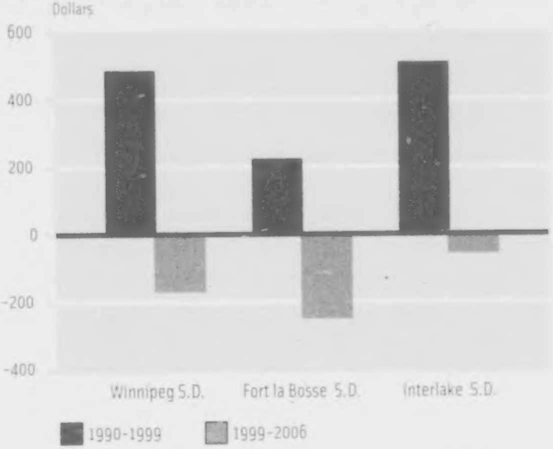
And, we are taking further action on property taxes. In 2003, we promised to reduce farmland education taxes by 20%. We exceeded our promise with a 50% reduction. But we are not stopping there. For 2006, we are going beyond our previous commitment to farmers

## Savings from ESL Elimination, 2005 to 2006

| Home Value | Annual Savings |
|---|---|
| $100,000 | $109 |
| $150,000 | $163 |
| $175,000 | $191 |

Source: Manitoba Finance

## Change in Total Education Property Taxes for a House Assessed at $125,000 in 2006



Note: Chart reflects the sum of changes in Special Levy, Education Support Levy and Education Property Tax Credits. The Special Levy mill rates for 2006 are preliminary.

Source: Manitoba Education, Citizenship and Youth

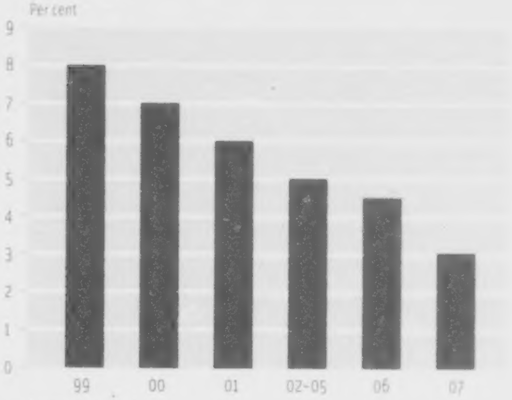
by increasing the reduction on farmland education taxes to 60%. Mr. Speaker, this additional reduction will provide new savings of $4.6 million for Manitoba farmers.

Budget 2006 also builds on our record of providing steady reductions in personal income taxes. It is my pleasure today to announce that Budget 2006 delivers on our commitment to reduce the middle income tax rate to 13%, effective January 1, 2007, for a total reduction of 20% since 2000. In addition, the basic personal amount will be increased by another $100. Mr. Speaker, these new measures will provide Manitobans with additional savings of $32.3 million in annual tax relief, and remove 2,000 low-income earners from the tax rolls.

In 1999, Manitoba had the second-highest small business tax rate in the country. Our government has cut the small business tax rate by half, and doubled the small business tax threshold – more than 90% of all taxable corporations in Manitoba now benefit from the small business tax rate. Mr. Speaker, I am pleased to announce today that we are exceeding our promise to small business. The tax rate for small business will be reduced to 3% on January 1, 2007 – the second-lowest rate in Canada. This additional reduction brings our cumulative reduction in the small business tax rate to 63% since 1999.

In 1999, Manitoba had the highest corporation income tax rate in the country at 17%. The corporation income tax rate has been reduced to 14.5% and is falling to 14% on January 1, 2007 – reductions unprecedented in our province's history. Mr. Speaker, I am pleased to announce today that the corporation income tax rate will be reduced to 13%, effective July 1, 2008, subject to balanced budget requirements. This new reduction brings the cumulative reduction since 1999 to 24%.

## Manitoba Small Business Rate Reductions Since 1999



Source: Manitoba Finance

I am also pleased to announce that effective January 1, 2007, Budget 2006 doubles the corporation capital tax deduction from $5 million to $10 million, reducing the number of firms paying this tax by 19%. In addition, our government will begin to phase out the general corporation capital tax with a 20% rate reduction to take effect on July 1, 2008, subject to balanced budget requirements.

Changes made by our government to improve the competitiveness of Manitoba's oil and gas exploration tax regime have increased interest in our oil and gas prospects, helping to generate record exploration and development activity in the province. Annual oil production is up 25% since 2004, and the amount of Crown oil and gas rights under disposition has increased by more than 150%. Mr. Speaker, our government will further support the record-breaking growth of this industry by providing a retail sales tax exemption for drilling rigs and other equipment used for oil and gas exploration.

Mr. Speaker, by 2007, Manitobans will enjoy annual savings in personal, property and business taxes of $618 million compared to 1999.

This is significant tax relief for Manitoba families and Manitoba business – savings that exceed our commitments – savings we've delivered within a fiscally responsible framework, without compromising important public investments in health care and education, and without stepping back from our debt repayment plan.

## Balanced Budgets

Last year, we made a commitment to implement full summary budgeting by 2007/08, a comprehensive reporting of all government and government-controlled entities, using generally accepted accounting principles (GAAP). We are making steady progress and are on track to meet this commitment. Last fall, we tabled the March 31, 2005 Public Accounts – the first Public Accounts in Manitoba history to be fully compliant with GAAP. Next year, as recommended by the Auditor General, the Summary Budget will become Manitoba's primary budget presentation and reporting tool.

Budget 2006 is balanced on a summary basis – forecasting a surplus of $148 million. For the 2005/06 year, third quarter information forecasts a $251 million summary surplus – up $55 million from budget projections. In 2005/06 the province's net summary debt is projected to decline further.

## Medium-Term Summary Budget Projection

(Millions of Dollars)

| | 2005/06 forecast | 2006/07 Budget | 2007/08 Projection | 2008/09 Projection | 2009/10 Projection |
|---|---|---|---|---|---|
| **Revenues** | 8,365 | 8,651 | 8,911 | 9,201 | 9,539 |
| **Expenditures** | (8,339) | (8,622) | (8,842) | (9,117) | (9,452) |
| Operating Fund Result | 26 | 29 | 68 | 85 | 88 |
| **Interfund Transfers/Debt Retirement** | | | | | |
| Debt retirement payment | (110) | (110) | (110) | (110) | (110) |
| Fiscal Stabilization Fund | | | | | |
| General Requirements | 68 | 55 | 0 | (1) | (4) |
| Wait Time Reduction/Health Programming | 18 | 30 | 45 | 30 | 30 |
| **Total Interfund Transfers** | **(24)** | **(26)** | **(65)** | **(82)** | **(85)** |
| **Balance under BBL/Transfer to Fiscal Stabilization Fund** | 3 | 3 | 3 | 3 | 3 |
| **Special Funds (Changes in Balance)** | | | | | |
| Debt Retirement Fund | 25 | 26 | 28 | 29 | 30 |
| Fiscal Stabilization Fund | (72) | (70) | (30) | (14) | (42) |
| Other | 0 | (2) | (2) | (2) | (2) |
| **Total Changes in Special Funds** | (47) | (45) | (4) | 13 | (14) |
| **Government Enterprises and Crown Organizations** | | | | | |
| Government Business Enterprises | | | | | |
| Manitoba Hydro | 375 | 222 | 123 | 132 | 135 |
| Manitoba Public Insurance | 46 | 10 | 10 | 11 | 9 |
| Manitoba Lotteries Corporation | 273 | 267 | 267 | 267 | 267 |
| Manitoba Liquor Control Commission | 192 | 196 | 201 | 206 | 211 |
| Special Operating Agencies | 15 | 14 | 15 | 15 | 15 |
| Manitoba Agricultural Services Corporation | (145) | (3) | 5 | 8 | 8 |
| Other Crown Organizations and Enterprises | 75 | 41 | 45 | 46 | 46 |
| Consolidation Adjustments | (482) | (481) | (488) | (493) | (499) |
| **Net Enterprises and Organizations** | 348 | 265 | 177 | 191 | 193 |
| Pension Expense for Unfunded Liability | (195) | (197) | (199) | (201) | (203) |
| Increase in Pension Assets Fund | 144 | 125 | 138 | 146 | 158 |
| **Summary Net Income (Summary Budget)** | **251** | **148** | **112** | **149** | **134** |

Totals may not add due to rounding.

2007/08 to 2009/10 are presented for illustration purposes only. This presentation will change when government fully implements Summary Budget reporting. Work has begun on this initiative as described on page B2.

In 1999/2000, the net debt to GDP ratio stood at 31.4%. We have made progress in reducing this rate, and forecast that it will decline to 24.5% in 2006/07. Over the medium term, our projections indicate summary surpluses will continue.

For the seventh straight year we are balanced under Manitoba's balanced budget legislation – with a positive balance of $3 million. Over the medium term, we expect continued positive results for the operating fund.

The balance in Manitoba's Fiscal Stabilization Fund (FSF) is forecast to be $414 million at March 31 this year. At the end of March 2007 – after withdrawing funds prepaid by the federal government for wait times, and the funds necessary to advance infrastructure investment, key support for post-secondary education and property tax relief for homeowners and farmers – the FSF will remain at $345 million – $81 million more than in 1999/2000.

Our prudent management of the government's finances has been rewarded with two credit rating upgrades since we took office. Manitoba has strong investment grade credit ratings.

**Manitoba's Credit Ratings**

| | |
|---|---|
| Moody's Investors Services: | Aa2 |
| Standard and Poor's: | AA- |
| Dominion Bond Rating Service: | A (high) |

Budget 2006 provides for 3.4% growth in expenditures, the same rate as last year.

One of our first tasks after coming to office in 1999 was to develop a comprehensive plan to address Manitoba's pension liability – a liability that was allowed to grow unfunded for 40 years. We have implemented the first ever plan to address this major liability. Mr. Speaker, I am pleased to announce that Budget 2006 provides for a $110 million payment toward general purpose debt and pension liabilities, bringing our total contribution over seven years to $704 million.

## Conclusion

Budget 2006 meets our commitments to take action on Manitobans' priorities and builds opportunities for today and tomorrow.

Measures we advance today will:

- increase investment in education at all levels,
- improve health care for all Manitobans,
- invest in key infrastructure for highways, water and drainage, health care, and education,
- provide vital support for children, families and communities, and
- make taxes more affordable for families and more competitive for business.

And all this is accomplished while projecting a summary budget surplus and a positive balance for the operating fund.

Manitobans can take pride in their province. We have accomplished so much, and we can do so much more. We are proud to present Budget 2006 to the people of our province.

# LE BUDGET DU MANITOBA

# 2006

## DISCOURS DU BUDGET

RESPECT DES ENGAGEMENTS, NOUVELLES POSSIBILITÉS

Manitoba

Manitoba

# Discours du Budget 2006 du Manitoba

M. Gregory F. Selinger
Ministre des Finances
Le 6 mars 2006

Ce document peut être consulté
sur Internet à l'adresse suivante :
www.gov.mb.ca/finance/index.fr.html
Les autres documents sur ce site comprennent :
Le Budget des dépenses du Manitoba de 2006,
Le Budget des recettes du Manitoba de 2006,
Les documents budgétaires du Manitoba de 2006,
Quarterly Financial Report (le plus récent), et
Manitoba Economic Highlights.

Des arrangements spéciaux peuvent être pris pour obtenir des sections
de ce document dans des formats différents
destinés aux personnes atteintes d'une incapacité visuelle.

Also available in English

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# LE DISCOURS DU BUDGET 2006 DU MANITOBA

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Document budgétaire F – Développement économique communautaire
Document budgétaire G – Moderniser le gouvernement

The Budget Papers (en un volume)
  Budget Paper A – The Economy
  Budget Paper B – Financial Review and Statistics
  Budget Paper C – A new Focus on Fiscal Arrangements
  Budget Paper D – Taxation Adjustments
  Budget Paper E – The Manitoba Advantage
  Budget Paper F – Community Economic Development
  Budget Paper G – Modernizing Government

Monsieur le Président, j'ai le grand plaisir de présenter aujourd'hui le Budget 2006 : Respect des engagements, nouvelles possibilités.

Le Budget 2006 répond aux engagements importants que notre gouvernement a pris envers les Manitobains et Manitobaines, et va même au-delà. Le budget présenté aujourd'hui rend notre province plus abordable et plus compétitive. Il améliore notre qualité de vie et crée de nouvelles possibilités de croissance et de prospérité à long terme. Nous prenons appui sur les réalisations des Manitobains et Manitobaines et nous agissons pour répondre aux priorités qu'ils ont fixées.

Nous sommes conscients des formidables avantages qu'offre le Manitoba ainsi que des qualités exceptionnelles de sa population. Dans notre province, le taux de bénévolat figure invariablement parmi les plus élevés du pays, et la proportion de dons de charité par personne est la plus forte de toutes les provinces.

C'est avec une immense fierté que les Manitobains et Manitobaines ont vu des athlètes de notre province défiler les uns après les autres sur le podium, au nom du Canada, lors des Jeux olympiques d'hiver de 2006. Monsieur le Président, je suis heureux d'annoncer qu'au nom de tous les Manitobains et Manitobaines, le Budget 2006 salue l'esprit de victoire des athlètes olympiques manitobains en attribuant 100 000 $ à deux organismes : 50 000 $ pour KidSport, afin qu'il augmente les occasions d'activités sportives offertes aux enfants du Manitoba; et 50 000 $ pour l'organisme Right to Play, afin de promouvoir le sport et le jeu auprès des enfants dans les régions les plus défavorisées du monde

Après avoir accueilli avec succès la cérémonie des prix Juno du Canada, en 2005, le Manitoba sera cette année l'hôte des Canadian Aboriginal Music Awards et, en 2007, du championnat mondial de hockey féminin. Les matchs se dérouleront dans notre centre de niveau mondial consacré au sport, aux arts et au spectacle : le Centre MTS. L'année dernière, il s'est classé au troisième rang des stades les plus utilisés au Canada. Il a aussi battu un record provincial grâce au concert d'Aerosmith et de Lenny Kravitz qui a généré plus de un million de dollars de revenus bruts, le montant le plus élevé jamais atteint au Manitoba pour un spectacle organisé dans un stade.

Monsieur le Président, le Manitoba a connu cette année un grand honneur, lorsque le magazine Business Week l'a classé au premier rang mondial en ce qui concerne la lutte contre le changement climatique. La Fondation David Suzuki a également attribué la première place canadienne à la stratégie de notre province dans ce domaine. Nous pouvons tous être fiers de ces distinctions : elles couronnent les actions entreprises par les Manitobains et Manitobaines pour protéger notre environnement, développer des sources d'énergie propres telles que l'énergie éolienne et l'hydroélectricité, et faire en sorte que notre économie continue de croître en respectant l'environnement, aujourd'hui et demain.

Le dévouement et la compétence de notre main-d'œuvre, la force de nos chefs d'entreprise et de nos chefs de file communautaires, et l'esprit d'innovation exceptionnel de nos entrepreneurs constituent le fondement d'une très large partie de notre prospérité et de notre croissance; tous ces éléments contribuent à la réussite des entreprises manitobaines, chez nous et dans le monde entier. Au cours de la prochaine année, notre province devrait se retrouver à la première place canadienne en ce qui concerne la croissance des investissements en immobilisations.

Les Manitobains et Manitobaines qui vivent en région rurale ont fait la preuve de leur capacité à faire face aux défis, tels que les inondations de grande ampleur provoquées par des niveaux d'eau exceptionnellement élevés, les effets persistants des querelles commerciales transfrontalières, et la pression exercée par la forte valeur du dollar. Nous sommes conscients du travail acharné de nos populations rurales et nous continuerons à travailler avec les familles, les producteurs et l'industrie pour bâtir des collectivités rurales solides.

Notre gouvernement continuera de travailler avec tous les Manitobains et Manitobaines pour que l'esprit « gagnant » des champions olympiques nous anime et nous permette d'atteindre ensemble nos objectifs.

Le Budget 2006 se fonde sur quatre éléments de base :

- croissance verte, croissance intelligente;
- familles en santé, collectivités en santé;
- économies d'impôt pour les familles et les entreprises du Manitoba;
- budgets équilibrés.

Notre gouvernement n'a pas ménagé ses efforts pour relever les défis des années 90 et ouvrir de nouvelles voies pour le 21$^{e}$ siècle. En 1999, le Manitoba perdait des médecins et des infirmières, une situation révélatrice d'un système de soins de santé en très grande difficulté. Le financement de l'éducation postsecondaire était gelé, le nombre d'inscriptions diminuait et nos équipements éducatifs se détérioraient. Le Manitoba détenait le taux d'imposition sur les bénéfices des sociétés le plus élevé du Canada et occupait le deuxième rang des provinces taxant le plus fortement les petites entreprises. Les taxes scolaires augmentaient alors que la valeur des propriétés demeurait stagnante. Le Manitoba prenait du retard en ce qui concerne la protection de l'eau et de l'environnement.

Depuis 1999, nous avons enrayé le déclin et inversé la tendance. Nous avons tracé les grandes lignes d'un plan visant à investir dans les priorités des Manitobains et Manitobaines, à mettre en place une économie solide, à réaliser des allègements fiscaux raisonnables et à mettre en œuvre un plan financier sain. Et nous avons tenu nos engagements, Monsieur le Président.

- Nous avons apporté à l'éducation postsecondaire et à la formation professionnelle un appui sans précédent qui a contribué à augmenter d'un tiers les inscriptions dans les universités, les collèges et les programmes d'apprentissage. Le Budget 2006 comprend un nouvel et important engagement financier pluriannuel pour les universités et les collèges.
- Nous avons investi en faveur des professionnels de la santé et dans la reconstruction de notre système de soins de santé. Le Budget 2006 favorise notre Plan de réduction des délais d'attente ainsi que des initiatives en matière de vie saine.

- Nous avons travaillé pour renforcer la sécurité de nos collectivités. Le Budget 2006 comprend de nouvelles ressources pour notre plan de lutte contre la criminalité, pour les écoles-phares installées dans nos communautés et pour la lutte contre la métamphétamine.
- Nous avons mis en œuvre notre Plan stratégique de croissance économique qui a débouché sur une performance économique solide et soutenue. Le Budget 2006 met en avant des stratégies pour améliorer la compétitivité, l'innovation et l'énergie propre afin que notre économie poursuive sa croissance à la fois verte et intelligente.
- Nous avons investi dans l'assainissement de l'eau, la protection contre les inondations et la préparation aux situations d'urgence. Le Budget 2006 consacre de nouvelles ressources à l'amélioration de la qualité de l'eau ainsi qu'à des projets de drainage et à la planification de la lutte contre les pandémies.
- Nous avons construit des routes et des infrastructures. Le Budget 2006 prévoit de nouveaux fonds et de nouvelles ressources pour des travaux routiers dans le cadre de projets d'infrastructure prioritaires.
- Nous avons travaillé en collaboration avec les collectivités autochtones pour combler l'écart de niveau de vie entre les Autochtones et le reste de la population. Le Budget 2006 appuie l'engagement que nous avons pris à l'égard des objectifs de la rencontre de Kelowna.
- Nous avons accru le financement des municipalités, lié à la hausse des recettes. Le Budget 2006 comprend une augmentation de 7,9 millions de dollars du Fonds de croissance du Manitoba pour les municipalités en 2006.

Le Budget 2006 diminue les taxes scolaires, l'impôt sur le revenu des particuliers et les impôts sur les bénéfices des sociétés et des petites entreprises. Monsieur le Président, le montant des taxes et des impôts est moins élevé aujourd'hui qu'en 1999; il est plus abordable pour les familles et plus concurrentiel pour les entreprises. Nous avons tenu ou surpassé toutes les promesses d'allègement fiscal que nous avions faites aux Manitobains et Manitobaines.

Et nous respectons nos engagements à l'intérieur d'un cadre responsable et financièrement équilibré. Monsieur le Président, je suis heureux de vous annoncer que le Budget 2006 est notre septième budget consécutif équilibré en vertu de la loi sur l'équilibre budgétaire. De plus, le budget sommaire de 2006 devrait afficher un excédent de 148 millions de dollars.

Aujourd'hui, un nouveau vent d'optimisme et de confiance souffle sur le Manitoba. Nous avons encore du travail à faire, mais les résultats montrent que nous sommes sur la bonne voie.

Notre économie se porte bien : nous occupons le deuxième rang au Canada pour ce qui est du taux de chômage le plus bas, et notre taux de croissance économique a atteint 2,9 % en 2005. L'augmentation des dépenses de consommation et des investissements commerciaux traduit le regain de confiance. Au cours des cinq dernières années, le Manitoba a connu :

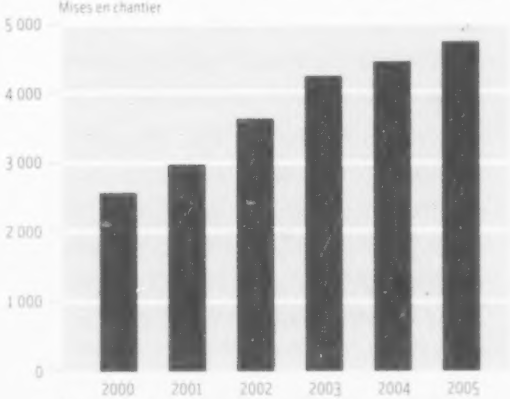
- une hausse de 33 % des ventes au détail;
- une augmentation de 14 % des exportations de marchandises, soit le double de la hausse nationale;

- une hausse de 85 % des mises en chantier, l'une des plus fortes de tout le Canada;
- une augmentation de 30 % de l'investissement réel dans le matériel et l'outillage, soit près du double de la hausse nationale.

Monsieur le Président, le gouvernement du Canada a signé avec le Manitoba plusieurs ententes fédérales-provinciales importantes. Ces ententes ont vu le jour au nom des Manitobains et Manitobaines afin que leurs priorités aillent de l'avant, qu'il s'agisse de la garde d'enfants, de l'accord de Kelowna sur les questions autochtones, du projet d'agrandissement du canal de dérivation, de l'immigration ou de la formation professionnelle. Notre gouvernement travaillera sans relâche pour assumer les responsabilités et les obligations qui découlent de ces ententes, dans l'intérêt de tous les Manitobains et Manitobaines.

Lors de récentes rencontres du Conseil de la Fédération, l'accent a été mis sur le besoin pressant d'un plus grand appui du gouvernement fédéral à l'éducation postsecondaire et à la formation axée sur les compétences. La poursuite de la vigoureuse politique d'investissement de notre province et le renouvellement des ressources fédérales sont nécessaires pour améliorer la productivité et remédier à la pénurie de main-d'œuvre dans l'industrie de la construction en pleine expansion au Manitoba ainsi que dans d'autres secteurs en croissance. Les premiers ministres lancent un appel au gouvernement fédéral pour que soit mis en place un nouveau partenariat pancanadien dans les domaines de l'éducation postsecondaire et de la formation axée sur les compétences.

**Mises en chantier au Manitoba, 2000-2005**



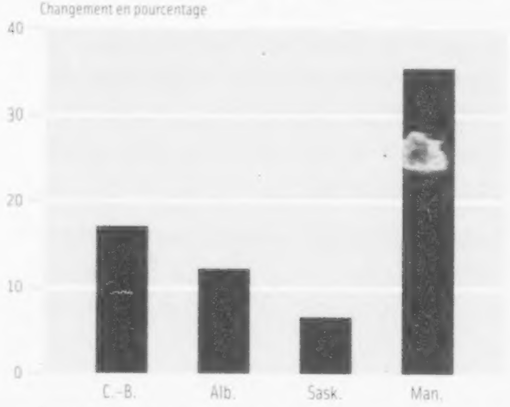
Source : Société canadienne d'hypothèques et de logement

Nous tenons nos engagements en investissant dans les domaines prioritaires fixés par les Manitobains et Manitobaines : soins de santé, éducation, eau de meilleure qualité, routes; en bâtissant une économie de pointe, solide et durable; en rendant les taxes et les impôts plus abordables et plus concurrentiels; et en restant fidèles à notre stratégie financière saine et à notre plan de remboursement de la dette. Nous continuerons d'offrir de nouvelles possibilités à tous les Manitobains et Manitobaines.

## L'éducation avant tout

Le Plan stratégique de croissance économique du Manitoba, élaboré sur les recommandations du Conseil consultatif économique du premier ministre, est un plan détaillé pour investir dans nos valeurs sûres en vue d'une croissance économique durable.

## Inscriptions aux établissements d'enseignement postsecondaire, 1999-2000 à 2005-2006

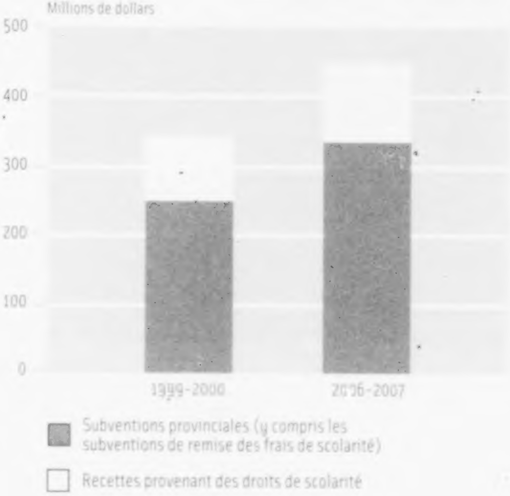


Source : Conseil de l'enseignement postsecondaire

Une stratégie d'éducation saine est au cœur d'une stratégie économique solide.

Nous avons fait de grands progrès dans l'amélioration de la qualité, de l'accessibilité et de l'abordabilité de l'éducation et de la formation postsecondaires, en encourageant le savoir et les compétences dont les Manitobains et Manitobaines ont besoin pour être concurrentiels dans une économie mondiale.

## Subventions aux universités publiques du Manitoba et recettes provenant des droits de scolarité



Pour favoriser l'excellence dans le domaine de l'éducation, nous avons effectué des investissements majeurs dans les immobilisations des établissements postsecondaires. Notre investissement de 50 millions de dollars a aidé à donner le coup d'envoi à une campagne de levée de fonds de l'Université du Manitoba qui a connu un franc succès en prélevant 237 millions de dollars. Le nouveau centre de l'ingénierie et des technologies de l'information, regroupé avec l'informatique, ainsi que le nouveau Centre Richardson de recherche sur les aliments fonctionnels, sont d'importants signes de la revitalisation de l'Université du Manitoba. Des investissements du gouvernement provincial ont également soutenu la restauration du hall Wesley à l'Université de Winnipeg et le nouveau campus de la rue Princess du collège Red River dans le Quartier de la Bourse.

Le Budget 2006 maintient la réduction des frais de scolarité de 10 % pour les étudiants, qui a entraîné une hausse d'un tiers dans les inscriptions. Comme nous l'avons fait chaque année, nous fournissons des recettes compensatoires aux universités et collèges afin de compenser totalement cette réduction, liée directement au nombre d'étudiants inscrits. Ces recettes compensatoires annuelles de la réduction des droits de scolarité sont passées de 8 millions de dollars en l'an 2000 à 13,8 millions de dollars dans le budget d'aujourd'hui, soit un total cumulatif de 81 millions de dollars depuis l'an 2000. Grâce à la hausse des inscriptions, les universités et les collèges tirent aussi profit d'une augmentation de 38 % de leurs recettes provenant des droits de scolarité.

Monsieur le Président, le Budget 2006 maintient notre soutien solide envers l'éducation grâce à un nouvel engagement de financement de 60 millions de dollars sur trois ans pour les universités et les collèges. Cet engagement est le plus important de l'histoire du Manitoba. Les subventions de fonctionnement versées par la Province aux universités et collèges augmenteront de 5,8 % au cours de l'année à venir. De plus, l'élimination de tout impôt foncier pour les universités représente une augmentation supplémentaire de 1,2 %. Ensemble, ces mesures représentent une augmentation de 7 % des subventions de fonctionnement. Les collèges et les universités recevront une augmentation de 5 % par année au cours des deux prochaines années. Ce nouveau financement pluriannuel permettra aux institutions postsecondaires de mieux planifier, étendre et élaborer les programmes pour répondre aux besoins du marché du travail et pour mieux coordonner les activités de recherche. Nous annonçons ce nouvel engagement à un moment où la part fédérale du financement pour l'éducation postsecondaire est de 7 %, alors qu'elle était de 15 % dans les années 1990.

De plus, Monsieur le Président, notre gouvernement travaille en collaboration avec les autres provinces et le gouvernement fédéral dans le but d'établir un nouveau partenariat pancanadien sur l'éducation postsecondaire et sur la formation professionnelle. Nous sommes engagés à investir des sommes supplémentaires dans l'excellence, l'intégralité, l'apprentissage continu, l'abordabilité et l'accessibilité si le fédéral fournit de nouvelles ressources.

Le budget d'aujourd'hui augmente les ressources :

- pour l'Initiative d'expansion des collèges, afin de continuer d'étendre les possibilités éducatives;
- pour des centres d'apprentissage pour adultes, afin de fournir des programmes d'école secondaire et de perfectionnement adaptés à des apprenants adultes;
- pour les programmes Accès, afin de faciliter l'accès à l'éducation et à la formation;
- pour les partenariats de formation avec l'industrie, afin de combler les lacunes sur le plan des compétences dans les industries en plein essor.

Monsieur le Président, le Budget 2006 étend les programmes de bourses d'études supérieures et de bourses HOPE créés par notre gouvernement pour encourager les étudiants intelligents et talentueux à rester au Manitoba. Le financement des Bourses d'études canadiennes du millénaire augmentera lui aussi.

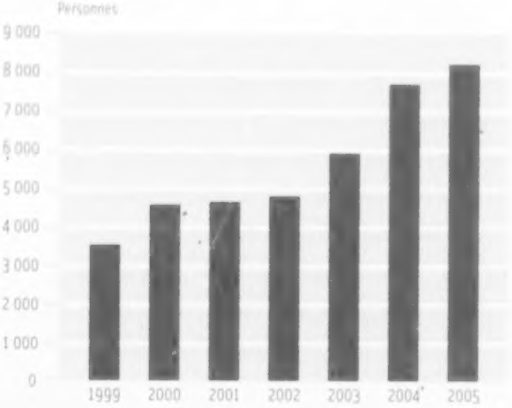
Grâce à une nouvelle Entente de partenariat sur le marché du travail entre le Canada et le Manitoba ciblant les travailleurs qui ne sont pas dans le système postsecondaire, un nouveau financement appuiera l'apprentissage, l'alphabétisation et les compétences essentielles, l'amélioration des compétences sur le lieu de travail, et la participation accrue des Autochtones, des immigrants et des personnes handicapées à la main-d'œuvre. Cette nouvelle Entente crée une occasion importante de mieux servir les Manitobains et Manitobaines dont la participation à la main-d'œuvre était limitée dans le passé.

Monsieur le Président, pour la septième année consécutive, nous allons respecter les engagements de notre gouvernement envers les écoles publiques en augmentant le financement au même rythme que notre taux de croissance économique. L'augmentation de cette année porte la somme totale en fonds d'exploitation versée par la Province à 926 millions de dollars.

Nous appuyons la *Loi sur les programmes d'éducation appropriés*, proclamée l'année dernière, en continuant d'investir dans l'éducation spécialisée. Un financement plus important est aussi fourni à l'Anglais, langue additionnelle, pour les élèves réfugiés ou touchés par la guerre. Le Budget 2006 offre de nouvelles ressources pour les carrières dans les arts, les bourses d'études en leadership pour les jeunes et un nouveau Guide manitobain de planification de carrière.

Le budget d'aujourd'hui fournit des ressources pour être à la hauteur de l'examen des bibliothèques publiques afin d'en améliorer les services, y compris pour les Premières nations mal desservies.

## Immigration internationale au Manitoba De 1999 à 2005



Remarque : Les données correspondent à l'année terminée le 1er octobre 2005.

Source : Statistique Canada

## Croître grâce à l'immigration

Au cours des cinq dernières années, le Manitoba a connu une forte croissance démographique, soit une augmentation de plus de 30 000 personnes, ce qui est supérieur à la hausse de 18 700 personnes enregistrée au cours de la période de cinq ans qui précédait. Cette année, nous prévoyons que la population va continuer à augmenter, mais à un rythme réduit, une tendance constatée dans la plupart des provinces. Notre gouvernement prend des mesures en vue d'augmenter l'immigration dans notre province et d'encourager les jeunes à s'installer au Manitoba.

Le Budget 2006 permet à un plus grand nombre d'employeurs de bénéficier du crédit d'impôt pour l'éducation coopérative. De plus, Monsieur le Président, j'ai le plaisir d'annoncer la mise en place d'une nouvelle mesure incitative pour encourager l'embauche chez nous, au Manitoba, d'étudiants et de finissants manitobains d'un programme d'enseignement coopératif.

L'augmentation du nombre de nouveaux immigrants au Manitoba est un élément important de notre stratégie de croissance. L'immigration aide à répondre aux besoins croissants de notre marché du travail, tout en contribuant au patrimoine culturel déjà riche du Manitoba.

Monsieur le Président, pour la première fois depuis presque 40 ans, plus de 8 000 immigrants se sont installés au Manitoba en 2005. Le programme Candidats du Manitoba, qui remporte le plus de succès au Canada, est responsable de 80 % de l'immigration à caractère économique au Manitoba et continue à accueillir la plus grande part de tous les immigrants admis au Canada à titre de candidat d'une province.

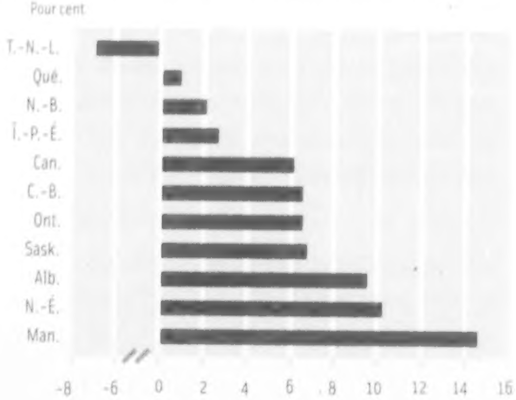
Grâce à un nouveau soutien du gouvernement fédéral, le Budget 2006 prévoit une augmentation de financement de 20 % pour renforcer les services d'intégration des immigrants et pour aider les nouveaux arrivants au Manitoba à s'y installer plus facilement.

Le budget d'aujourd'hui élargit le soutien apporté au riche réseau d'organismes ethnoculturels du Manitoba.

## Recherche et innovation

Les investissements dans la recherche et l'innovation sont des investissements dans la productivité, le développement de nouveaux produits, la compétitivité et les découvertes scientifiques.

**Intentions d'augmentation des investissements en immobilisations en 2006**



Source : Statistique Canada

En poursuivant sur la lancée de l'augmentation de 33 % l'année dernière du crédit d'impôt pour la recherche et le développement, le budget d'aujourd'hui comprend une augmentation de notre soutien accordé au Fonds pour les centres d'excellence du Manitoba, augmentant ainsi l'investissement dans la recherche de renommée internationale effectuée chez nous au Manitoba.

Le Budget 2006 effectue un nouvel investissement dans le Centre de technologie industrielle pour aider les petites et moyennes entreprises à se développer et à croître. Compte tenu des occasions uniques qui existent au sein de l'industrie des médias numériques, le budget d'aujourd'hui double aussi la capacité du Fonds destiné aux médias interactifs du Manitoba pour appuyer ce secteur croissant.

Le secteur de la biotechnologie du Manitoba continue à faire partie de ceux qui croissent le plus rapidement au Canada en ce qu'il compte plus de 40 entreprises actives et près de 30 établissements de recherche et de développement. Monsieur le Président, une entreprise de biotechnologie canadienne sur dix se trouve au Manitoba, et plus de 4 000 personnes sont employées par l'industrie des sciences biologiques dans la province. La Cangene Corporation et Biovail Corporation effectuent toutes les deux des expansions importantes au Manitoba cette année.

Nous répondons à la demande d'un développement accru des ressources humaines en haute technologie pour soutenir la forte croissance dans ce secteur. En janvier dernier, de nouvelles installations de biotechnologie ultramodernes ont été ouvertes au collège Red River dans le cadre d'un partenariat entre les secteurs public et privé, permettant d'offrir les programmes de formation biotechnologique et pharmaceutique les plus complets au Canada.

## Promouvoir l'investissement et le commerce

Depuis 1999, l'investissement privé au Manitoba s'est accru de 1,2 milliard de dollars, soit une augmentation de 30 %. Monsieur le Président, selon une récente enquête de Statistique Canada, les investissements du secteur privé au Manitoba devraient augmenter de 540 millions de dollars en 2006, ce qui représente une hausse de 10,4 %, soit plus du double du taux de croissance national.

Il est indispensable de maintenir cette forte croissance de l'investissement pour continuer d'accroître nos capacités dans les domaines de la recherche et de l'innovation, et pour appuyer l'amélioration permanente de la productivité et de la compétitivité des entreprises locales. Notre gouvernement est déterminé à faire sa part pour améliorer les services, mettre en œuvre des mesures d'efficacité de la réglementation, réduire les formalités administratives et rendre les taxes et les impôts plus concurrentiels.

Selon une récente étude de la Fédération canadienne de l'entreprise indépendante, le Manitoba et l'Alberta occupent conjointement la deuxième place en ce qui concerne les coûts liés à la réglementation les plus bas par rapport au PIB. Notre gouvernement prendra des mesures supplémentaires, en consultation avec le Conseil consultatif économique du premier ministre, pour améliorer notre avantage concurrentiel.

Au cours de l'année prochaine, notre gouvernement mettra en place l'infrastructure nécessaire pour que les capacités dans le domaine du commerce électronique puissent connaître un développement important. Pour veiller à ce que les services gouvernementaux soient, dans l'ensemble, adaptés à la mise en œuvre de services de commerce électronique, nous demanderons à tous les secteurs du gouvernement d'examiner leurs services et de mettre en œuvre des stratégies visant à accélérer le passage au commerce électronique.

Nous travaillons également afin :

- de développer la Passerelle des entreprises Canada-Manitoba pour que les multiples services offerts aux entreprises soient accessibles à partir d'un seul clic, d'un seul appel ou d'une seule visite en personne;

- d'étendre l'usage du numéro d'identification d'entreprise courant afin de faciliter l'inscription et le dépannage via Internet;
- de mettre sur pied, en collaboration avec le gouvernement fédéral et les municipalités, le service Assistant des entreprises, qui vise à simplifier les renseignements relatifs aux exigences imposées aux entreprises, afin que celles-ci puissent s'y conformer de façon plus simple et moins coûteuse.

Les industries manufacturières représentent un des plus importants secteurs de l'économie du Manitoba et garantissent l'existence de presque 70 000 emplois. Monsieur le Président, l'investissement manufacturier devrait croître de 61 % cette année, un niveau exceptionnel qui nous placera au premier rang canadien.

L'année dernière, conscient des pressions résultant de la forte valeur du dollar canadien et désireux d'encourager le secteur manufacturier à investir davantage, notre gouvernement a rendu les biens, les machines et le matériel ayant déjà servi admissibles au crédit d'impôt à l'investissement manufacturier. Monsieur le Président, j'ai le plaisir d'annoncer que notre gouvernement renouvelle le crédit d'impôt à l'investissement manufacturier et augmente la partie remboursable de ce crédit d'impôt en la faisant passer de 20 % à 35 %.

Pour que le Manitoba soit en mesure d'accroître les investissements, de créer des emplois, d'innover et de produire de la richesse, le développement de l'esprit d'entreprise est déterminant. Notre gouvernement est conscient du profit que les nouveaux chefs d'entreprise pourraient tirer des conseils de leurs pairs plus expérimentés et connaissant déjà le succès. Le Budget 2006 investira donc dans un programme de mentorat appelé Mentor des entreprises. Dans le cadre de ce programme innovateur, des entrepreneurs exemplaires serviront de mentor à de jeunes chefs de petites entreprises afin d'accroître leurs chances de réussite.

Dynamique et diversifiée, générant 42 milliards de dollars, l'économie du Manitoba se tourne de plus en plus vers les marchés mondiaux. Au cours des dix dernières années, la valeur des exportations manitobaines est passée de 53 % à 65 % du PIB. Notre gouvernement travaille en collaboration avec les chefs d'entreprise afin de promouvoir l'image du Manitoba comme une porte d'entrée du commerce et de l'investissement en Amérique du Nord.

Nous avons travaillé à la diversification des marchés internationaux dans lesquels nos petites et moyennes entreprises font des affaires. Nos exportations vers des pays autres que les États-Unis sont passées de 19 % à 24 % des exportations totales au cours des quatre dernières années. Le mois dernier, notre premier ministre a dirigé en Inde la plus importante mission commerciale dans l'histoire du Manitoba, comprenant plus de 45 représentants du monde des affaires. L'un des éléments clés de notre stratégie internationale est l'exploration de marchés émergents et en pleine croissance comme l'Inde et la Chine, où nos entreprises ont la possibilité d'entreprendre des projets conjoints stratégiques.

## De l'énergie propre pour une économie verte

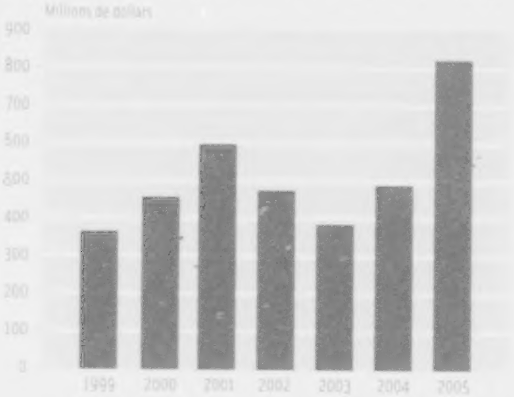
Les mesures prises par les Manitobains et Manitobaines ont fait de la province un chef de file mondial dans les domaines de l'énergie propre et de la lutte contre le changement climatique. C'est un legs pour les générations futures dont nous pouvons tous être fiers. Notre avantage en termes d'énergie propre – notre hydro-électricité, notre énergie éolienne et nos biocarburants – place le Manitoba dans une situation privilégiée qui nous permet de préserver et de protéger notre environnement tout en favorisant une forte économie verte.

Les résidents et les entreprises du Manitoba ont la chance de bénéficier des coûts d'électricité parmi les plus bas du monde. Le renforcement de notre avantage en termes d'énergie propre est un élément clé de notre stratégie de croissance, et le Budget 2006 accroît les ressources allouées à l'énergie propre.

> ***« Le développement durable est devenu un rouage économique essentiel dans la province canadienne du Manitoba. »***
>
> Business Week, décembre 2005

Nos exportations d'hydroélectricité sont passées de 363 millions de dollars en 1999 à 818 millions de dollars – un chiffre record – en 2005, ce qui représente une augmentation de 125 %. Hydro-Manitoba dispose des moyens de doubler notre capacité énergétique actuelle; elle est donc bien placée pour tirer parti des marchés d'exportation en cours de développement à l'est, à l'ouest et au sud.

**Exportations d'hydroélectricité du Manitoba**



Remarque : Les exportations d'hydroélectricité comprennent les exportations internationales et interprovinciales.

Source : Hydro-Manitoba

Hydro-Manitoba et la nation crie de Nisichawayasihk proposent de mettre en œuvre, en étroite collaboration, le projet de barrage hydroélectrique de Wuskwatim, d'une puissance de 200 MW. L'avancement de la création de la centrale hydroélectrique de Conawapa pour conquérir de nouveaux marchés d'exportation apportera aux résidents du nord du Manitoba et de toute la province des avantages économiques et communautaires considérables, y compris la création d'emplois équivalant à plus de 40 000 années-personnes.

Le Manitoba mène les efforts visant la mise en place d'un réseau d'énergie est-ouest étendu, afin d'augmenter les ventes d'énergie entre les provinces et de renforcer la sécurité énergétique du Canada.

Notre stratégie de l'hydrogène marque aussi des points : nous accomplissons des progrès dans la recherche et le développement, la production, le ravitaillement et la fabrication à valeur ajoutée. Winnipeg, « capitale nord-américaine de la fabrication d'autobus », est la première ville au Canada où l'on a testé, sur route, un autobus équipé d'un moteur à hydrogène. Cet exploit a été rendu possible par un vaste partenariat regroupant le secteur public, le secteur privé et le milieu de l'éducation.

Le Manitoba est un chef de file dans le domaine des pompes géothermiques, une des industries qui croît le plus rapidement en Amérique du Nord. Au cours des quatre dernières années, le nombre de pompes géothermiques a été multiplié par quatre au Manitoba, une croissance inégalée au Canada. Le champ d'utilisation des pompes géothermiques s'étend à tous les domaines : maisons, immeubles de bureaux, arénas, écoles et ensembles résidentiels importants. Le Manitoba est à l'œuvre pour que les pompes géothermiques constituent l'un des principaux traits distinctifs du nouvel ensemble résidentiel de Waverley West.

Hydro-Manitoba a lancé des programmes Éconergiques étoffés qui aident les abonnés résidentiels, commerciaux et industriels à faire des économies d'énergie. Plus de 23 000 prêts représentant plus de 78 millions de dollars ont déjà été accordés à des abonnés résidentiels, ce qui prouve, Monsieur le Président, que les Manitobains et Manitobaines économisent de l'argent et deviennent « éconergiques ».

Par l'intermédiaire de notre nouveau bureau, Manitoba vert, nous proposons de nouvelles solutions que les Manitobains et Manitobaines peuvent mettre en œuvre avec succès dans les domaines de l'efficacité énergétique, de la conservation des eaux et de la réduction des déchets. Manitoba vert encouragera l'innovation environnementale et le développement communautaire.

## La protection de nos ressources hydriques

Un si grand nombre des choses que nous construisons aujourd'hui commencent par l'eau; l'eau propre est au cœur de nos écosystèmes, de nos collectivités et de notre économie. Le budget d'aujourd'hui accorde une grande priorité à la protection de notre eau potable, de notre eau souterraine et de notre réseau unique de lacs et de rivières.

Le Budget 2006 accroît les ressources allouées à l'amélioration des initiatives sur la qualité de l'eau potable. Cela s'ajoute à la mise sur pied du Service de la qualité de l'eau potable et à la *Loi sur la qualité de l'eau potable* de notre gouvernement.

La protection du lac Winnipeg, qui occupe le 10e rang des lacs d'eau douce dans le monde pour ce qui est de la superficie, est notre responsabilité à tous. Notre gouvernement prend des mesures additionnelles cette année pour protéger nos lacs et nos cours d'eau des charges excessives d'éléments nutritifs afin d'améliorer la qualité de l'eau du lac Winnipeg et de réduire la prolifération d'algues sur ce lac de même que sur d'autres rivières et cours d'eau. Il y aura embauche de nouveaux employés pour appuyer la mise en œuvre de la *Loi sur la protection des eaux* afin de mieux protéger les eaux de surfaces et souterraines.

Le Budget 2006 offre une nouvelle mesure incitative aux fermiers pour qu'ils adoptent des pratiques liées à l'eau qui soient bénéfiques.

Le Budget 2006 prévoit une augmentation des ressources visant :

- le nombre de districts de conservation afin de faire progresser la planification des bassins hydrographiques;
- le programme hydrométrique Canada-Manitoba pour la prévision des inondations;
- les services de la Commission des services d'approvisionnement en eau du Manitoba;
- le Programme de gestion écologique du bétail afin de favoriser l'amélioration du rendement environnemental.

Le Budget d'aujourd'hui prévoit également une nouvelle formule de demande pour le programme amélioré de crédit d'impôt sur les biens-fonds riverains. Ce programme aide à protéger les terres fragiles qui bordent les cours d'eau.

## Zones naturelles et gestion de l'environnement

Le Budget présenté aujourd'hui affecte des ressources à un nouveau système amélioré de réservation d'emplacements de camping dans les parcs. Ce système, élaboré au Manitoba, permet d'effectuer des réservations par l'intermédiaire d'un centre d'appels ou par Internet. Désormais, on peut aussi réserver sur place, dans les terrains de camping. En outre, pour améliorer la sécurité publique, nous étendons le service d'urgence 911 à cinq des principaux parcs provinciaux, et nous augmentons les ressources allouées à l'entretien des parcs.

Notre initiative consistant à mettre 1 000 lotissements pour chalets à la disposition du public a suscité un grand intérêt de la part des familles manitobaines. Notre site Web a reçu près d'un demi-million de visites de personnes désireuses d'en savoir plus sur les plus de 600 lotissements pour chalets nouvellement offerts au public par tirage au sort. Cette année, Monsieur le Président, nous atteindrons notre objectif de 1 000 nouveaux lotissements pour chalets. Le Budget 2006 prévoit des ressources supplémentaires pour améliorer les terrains de camping en installant de nouvelles yourtes, en ajoutant des toilettes et des douches, et en intensifiant l'électrification.

Depuis 1999, nous avons désigné de nouveaux parcs provinciaux et agrandi notre réseau de zones protégées. La collaboration de la Manitoba Naturalists Society a ainsi permis d'ajouter récemment au réseau l'aire de conservation des hautes herbes des prairies. Ces deux dernières années, nous avons créé deux nouvelles réserves écologiques qui offrent le meilleur niveau de protection. Nous avons également prolongé pour cinq ans la désignation des réserves de parc Fisher Bay et de l'Île-Birch.

Monsieur le Président, le Budget 2006 consacre de nouvelles ressources à la promotion du projet de désignation de site du patrimoine mondial de l'UNESCO présenté par les Premières nations, le Manitoba et l'Ontario. Par ailleurs, notre gouvernement double, en le portant à 200 000 $, le montant de la subvention qu'il accorde à la campagne nationale de conservation de la Société canadienne pour la conservation de la nature. Nous augmentons également notre appui à l'Institut international du développement durable.

Étant donné les conditions particulières et le caractère unique des communautés et des écosystèmes de la rive est du lac Winnipeg, notre gouvernement a lancé un vaste plan d'aménagement local qui, à son tour, a débouché sur un processus d'inclusion qui permettra aux Premières nations de construire leur avenir en s'inscrivant dans la durée. Le budget présenté aujourd'hui accroît les ressources affectées au projet d'aménagement territorial Wabanong Nakaygum Okimawin ainsi qu'aux activités prioritaires relatives à la gestion des ressources durables, telles que le projet pilote d'amélioration de l'efficacité énergétique d'Island Lake et le programme d'intendance des rivières, qui a fait la preuve de son succès.

## Préparation aux situations d'urgence

Monsieur le Président, notre gouvernement prend au sérieux le risque d'une pandémie mondiale. On ne peut exagérer l'importance d'être prêt à faire face à une telle catastrophe. Le Manitoba a établi un plan d'urgence solide en cas de pandémie. Nous collaborons avec des représentants de toutes les disciplines de santé humaine et animale pour être en mesure de lutter contre une épidémie, au besoin. Nous avons aussi collaboré avec les offices régionaux de la santé et les municipalités pour faire en sorte que leurs plans d'urgence soient bien actualisés. Dans le cadre de ses préparations, le Manitoba a accumulé une réserve de 600 000 doses de médicaments antiviraux. Nous continuons notre planification en partenariat avec l'Organisation des mesures d'urgence, les offices régionaux de la santé et le médecin-hygiéniste en chef. Nous travaillons également avec les écoles, les entreprises et les organismes communautaires et professionnels afin de renforcer leur capacité de planification et de préparation face à la possibilité d'une pandémie de grippe.

Le Budget 2006 élargit la portée du mandat de l'Organisation des mesures d'urgence du Manitoba afin d'y inclure l'élaboration de plans de continuité cernant tous les secteurs de services gouvernementaux en cas d'urgence. Le budget d'aujourd'hui prévoit également de nouvelles ressources pour la surveillance des maladies animales exotiques, les diagnostics de détection précoce et l'amélioration de notre capacité d'intervention rapide. Le vétérinaire en chef coordonnera ces ressources.

Dans le Budget 2006, et appuyés par un partenariat avec le gouvernement fédéral, nous accordons un financement en immobilisations de plus de 200 millions de dollars pour la poursuite des travaux d'agrandissement du canal de dérivation. Avant d'entamer ce projet, le Canada et le Manitoba ont investi 130 millions de dollars dans la protection contre les inondations. Le renouvellement d'un partenariat avec le gouvernement fédéral pour l'achèvement des travaux d'agrandissement du canal de dérivation est une de nos priorités les plus importantes.

## Amélioration du système de soins de santé

Monsieur le Président, depuis 1999, nous rebâtissons notre système de soins de santé. Nous avons investi dans la formation des professionnels de la santé et dans l'augmentation de leur nombre, dans l'innovation et la technologie médicales, dans des projets d'immobilisations relatifs aux soins de santé qui s'imposaient depuis longtemps, dans le renforcement des initiatives dans les domaines de la vie saine et de la prévention, et dans la prestation de services de santé plus rapide et plus près du domicile des patients.

Notre plus grande priorité dans le domaine des soins de santé reste la réduction des délais d'attente, non seulement pour l'accès aux traitements vitaux, secteur dans lequel nous avons fait des progrès importants, mais aussi pour les procédures clés d'amélioration de la qualité de vie, comme les opérations de la hanche et du genou, dont nous augmentons le nombre de façon considérable.

Depuis 1999 :

- la période d'attente moyenne pour une radiothérapie anticancéreuse est passée de six semaines à une semaine;
- le temps d'attente pour une opération de chirurgie cardiaque a été réduit de plus de un tiers.

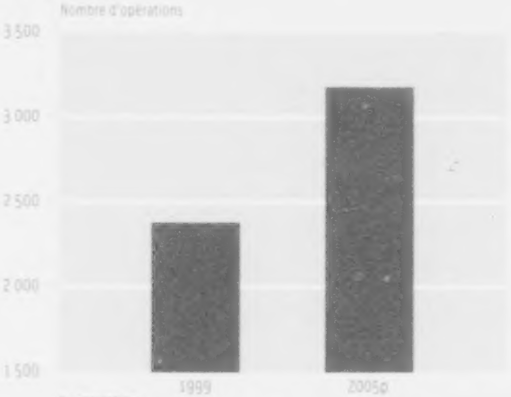
Monsieur le Président, le Budget 2006 investit dans la réalisation d'un nouveau centre d'excellence en chirurgie cardiaque ultramoderne à l'Hôpital général de Saint-Boniface. Avec cet investissement, nous mettons en œuvre la dernière recommandation importante du rapport Koshal.

Grâce à la capacité accrue de l'hôpital de Brandon et des hôpitaux Concordia et Boundary Trails, nous soutenons un rythme adéquat pour pratiquer 3 500 opérations de la hanche et du genou cette année, soit une augmentation de plus de 800 opérations par rapport à l'année passée, dont 700 pratiquées à Winnipeg.

Notre engagement pour l'amélioration du système de soins de santé est un engagement envers toutes les régions de la province. Le Budget 2006 continue d'investir dans l'augmentation des tests de diagnostic et dans la prestation de services de santé plus près du domicile des patients.

Notre système public de soins de santé a plus que quadruplé le nombre annuel d'imageries par résonance magnétique (IRM) depuis 1999, grâce à l'ajout de nouveaux appareils d'IRM, y compris le premier appareil situé à l'extérieur de Winnipeg, au Centre régional de santé de Brandon, et le premier appareil d'IRM communautaire à la clinique Pan Am. Monsieur le Président, j'ai le plaisir d'annoncer que nous allons ajouter un nouvel appareil d'IRM à l'hôpital Boundary Trails de Winkler et Morden.

## Opérations de la hanche et du genou, Winnipeg



p : projection

Source : Office régional de la santé de Winnipeg

Plus de 20 000 examens IRM supplémentaires seront pratiqués au Centre des sciences de la santé, à l'Hôpital général Saint-Boniface et à la clinique Pan Am au cours des trois prochaines années.

Depuis 1999, le nombre de tomodensitogrammes a presque doublé. Des tomodensitomètres sont maintenant en service à Steinbach, Selkirk, Portage-la-Prairie, Le Pas et Thompson, et ceux de Brandon et Dauphin vont être modernisés.

Plus de 15 000 tomodensitogrammes supplémentaires vont être pratiqués au cours des trois prochaines années.

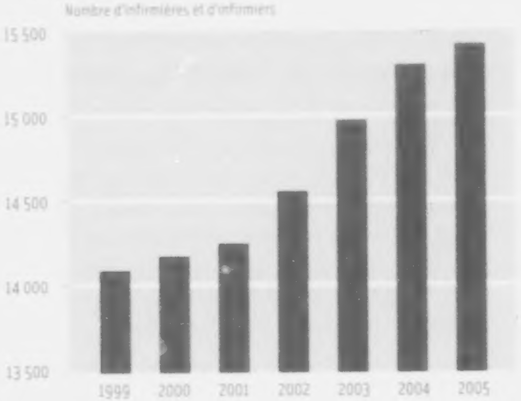
Monsieur le Président, le Budget 2006 marque la dernière étape du remplacement des 160 ambulances de la flotte provinciale par de nouveaux modèles qui amélioreront les soins aux patients et leur sécurité. Cette année, nous allons ouvrir un nouveau centre de transport et de communication à Brandon, afin de coordonner l'aiguillage médical et les interventions d'urgence.

Notre Plan de réduction des délais d'attente va bien au-delà des priorités nationales. Le Budget 2006 investit dans :

- plus d'opérations de chirurgie dentaire pour les enfants, dans la foulée de nos précédents succès qui se sont traduits par une réduction de 60 % des listes d'attente de la région de Winnipeg depuis janvier 2005;
- plus d'examens des troubles du sommeil pour aider à réduire les listes d'attente, d'une longueur inacceptable;
- l'expansion du programme de traitement de la douleur à la clinique Pan Am, pour une réduction considérable de la liste d'attente;
- des programmes communautaires de santé mentale élargis.

Le Budget 2006 investit dans l'innovation en matière de soins de santé et dans l'agrandissement de nos centres d'excellence. En plus du nouveau centre de chirurgie cardiaque de Saint-Boniface, nous appuyons la reconstruction majeure du Centre des sciences de la santé, pour servir l'ensemble du Manitoba avec des salles d'opération et des salles d'urgence complètement modernisées. Le centre d'excellence en opérations de la hanche et du genou de l'hôpital Concordia a effectué cette année 400 opérations de plus que l'année dernière.

## Infirmières et infirmiers exerçant au Manitoba 1999-2005

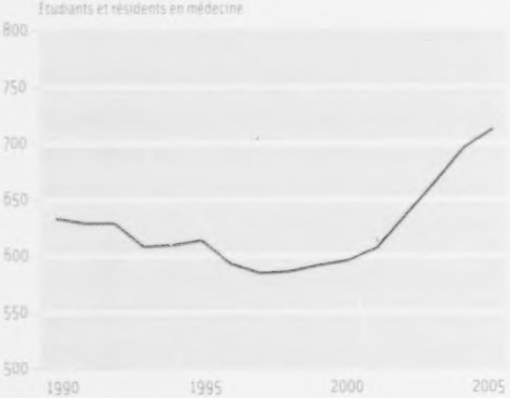


Sources : Ordre des infirmières et des infirmiers du Manitoba
Ordre des infirmières et des infirmiers psychiatriques du Manitoba
Ordre des infirmières et des infirmiers auxiliaires du Manitoba

Le Budget 2006 investit dans le réaménagement du Centre de santé mentale de Selkirk. Il fournira de nouveaux espaces et des programmes améliorés pour répondre aux besoins des Manitobains et Manitobaines atteints de lésions cérébrales et de maladies mentales acquises. De plus, nous étendons le suivi intensif des personnes qui sont prêtes à vivre dans la collectivité mais qui ont besoin d'appui pour atteindre leurs objectifs.

En 1999, nous étions confrontés à un nombre décroissant de professionnels des soins de santé. Nous sommes passés à l'action. Le nombre de médecins en formation a augmenté de 20 %, passant de 591 à 712. Notre programme pour augmenter le nombre de places en enseignement de

## Médecins en formation au Manitoba



Source : Système informatisé sur les stagiaires post-M.D. en formation clinique et Faculté de médecine de l'Université du Manitoba

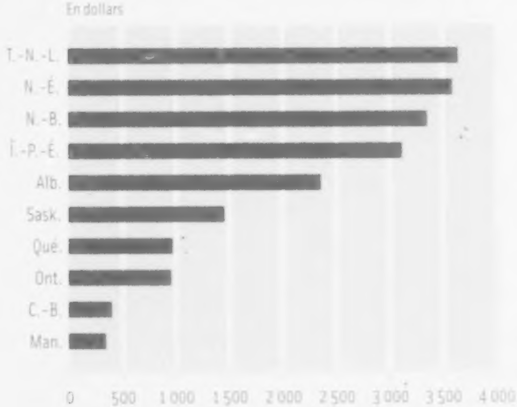
soins infirmiers a plus que triplé le nombre de diplômés. Il y a aujourd'hui plus de 1 300 infirmières et infirmiers de plus qui exercent au Manitoba.

Monsieur le Président, le Budget 2006 remplit nos engagements concernant :

- l'augmentation de 70 à 100 du nombre de places en médecine à l'Université du Manitoba;
- l'augmentation à 25 du nombre de places d'accueil des diplômés internationaux en médecine;
- l'augmentation à 3 000 du nombre d'inscriptions en formation aux sciences infirmières;
- l'augmentation à 57 places en formation des technologues, ce qui dépasse notre engagement.

## Dépenses annuelles personnelles – Médicaments et accessoires pour le diabète

### Étude de cas – Personnes à faible revenu



Source : Association canadienne du diabète, rapport sur le diabète 2005

Nous continuons de travailler avec les collectivités et avec les offices régionaux de la santé pour le recrutement et le maintien en fonction des médecins grâce à notre nouveau bureau de coordination du recrutement de médecins. Nous offrons aussi de nouvelles possibilités d'élargissement des rôles du personnel infirmier dans notre système de soins de santé.

Avec nos partenaires Métis et des Premières nations, nous continuons de travailler avec le gouvernement fédéral pour répondre aux besoins uniques des collectivités autochtones en matière de santé. Le Budget 2006 étend l'initiative fédérale-provinciale de prévention des maladies chroniques à 40 collectivités du Manitoba. Cette initiative a été citée en exemple par l'Assemblée des Premières Nations en tant que modèle de prestation de services de santé dans les collectivités autochtones.

L'Association canadienne du diabète a reconnu les frais peu élevés des médicaments contre le diabète au Manitoba. Notre province est au premier rang pour les frais les plus bas encourus par une personne atteinte de diabète de type 1 et dont le revenu familial est inférieur à 15 000 dollars. Monsieur le Président, j'ai le plaisir d'annoncer que nous augmentons l'abordabilité en éliminant la taxe de vente au détail sur les lancettes et les appareils de mesure de la glycémie achetés par des personnes diabétiques à des fins personnelles.

Notre Régime d'assurance-médicaments couvre les coûts des médicaments pour les Manitobains et Manitobaines médicalement et financièrement dans le besoin. Nous avons adopté les meilleures pratiques et nous avons étendu l'usage des médicaments génériques pour contrôler les coûts. Cependant, le coût de cet important programme continue d'augmenter, soulignant le besoin d'un régime d'assurance-médicaments national. Cette année, les franchises du Régime d'assurance-médicaments augmenteront de 3 à 6 dollars par mois pour la plupart des familles prestataires du Régime d'assurance-médicaments. Nous améliorons le programme cette année grâce à de nouvelles options de paiement flexibles.

En créant notre ministère de la Vie saine, nous avons reconnu qu'il existe des défis à relever et des occasions à saisir pour encourager les Manitobains et Manitobaines à vivre plus sainement.

Le Manitoba a été la première province à imposer l'interdiction du tabac à l'intérieur à l'échelle provinciale. Statistique Canada a récemment annoncé que le taux de consommation du tabac au Manitoba chez les 15-19 ans est passé de 21 % à 16 % au cours du premier semestre de 2005.

Nous savons que des différences dans des facteurs comme la consommation de tabac, l'activité physique, la nutrition, le sexe, la situation économique et l'environnement physique jouent un rôle important dans l'évaluation des résultats relatifs à la santé.

Monsieur le Président, nous savons que des enfants sains et actifs ont plus de chances de devenir des adultes sains et actifs. Le gouvernement fédéral a annoncé son intention d'instaurer un allègement fiscal pour l'activité physique des enfants. J'ai le plaisir d'annoncer que le Manitoba va compléter cette initiative appréciable dès qu'elle entrera en vigueur avec un crédit parallèle pour encourager une participation plus grande des enfants dans les activités sportives et récréatives, et dans les autres activités physiques.

Notre gouvernement va de l'avant par rapport aux recommandations du groupe de travail Des enfants en santé, pour un avenir en santé. L'automne dernier, nous avons lancé le programme d'activité Manitoba en mouvement pour aider les Manitobains et Manitobaines, et plus spécialement les enfants, à pratiquer une activité physique et à rester en bonne santé. Le Budget 2006 fournit des ressources pour augmenter le nombre de collectivités en mouvement.

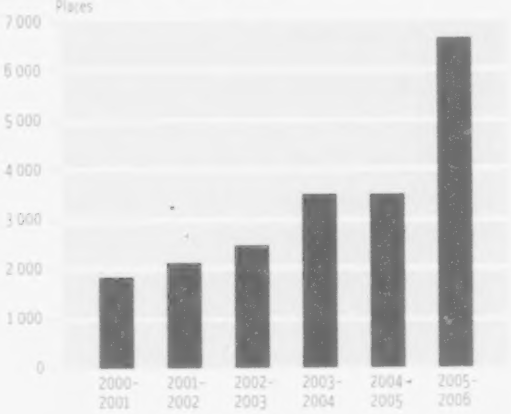
Cette année, nous allons présenter aux écoles de nouvelles lignes directrices sur l'alimentation et la nutrition saines, et nous allons étendre et renforcer les programmes d'éducation physique et d'éducation sanitaire. Monsieur le Président, nous allons aussi donner le coup d'envoi d'un nouveau programme de sécurité à vélo en achetant 1 000 casques de cyclistes auxquels les enfants de la province auront accès, en partenariat avec KidSport.

Monsieur le Président, grâce à Enfants en santé Manitoba, le Budget 2006 fournit de nouvelles ressources pour étendre :

- le programme Bébés en santé à plus de collectivités pour faire en sorte que les bébés connaissent un départ sain dans la vie;
- les Centres de la petite enfance et de la famille dans plus d'écoles francophones, afin de rassembler pour les parents les ressources et les services de développement de l'enfant et d'apprentissage des jeunes enfants;
- les appuis aux adolescents grâce à l'initiative de centre de consultation médicale à l'école pour les adolescents.

Notre gouvernement, en collaboration avec les pharmaciens et les détaillants, met en œuvre une stratégie globale pour lutter contre la dangereuse drogue de rue qu'est la métamphétamine. Cette stratégie comprend des restrictions sur la vente de produits qui peuvent être utilisés pour fabriquer cette drogue, ainsi qu'une campagne de grande portée pour sensibiliser le public aux dangers qu'elle représente. Monsieur le Président, le budget d'aujourd'hui consacre deux millions de dollars de nouveau financement annuel à notre stratégie contre la métamphétamine et les dépendances.

## Nouvelles places subventionnées pour l'apprentissage et la garde des jeunes enfants au Manitoba depuis 2000



Source : Services à la famille et Logement Manitoba

## Soutenir les enfants et les familles

Monsieur le Président, notre gouvernement continue d'adopter une approche globale en vue de soutenir les familles, ce qui comprend des initiatives spéciales pour aider les Manitobains et Manitobaines vulnérables et pour combattre la pauvreté sur plusieurs fronts.

Le Manitoba a été un intervenant de poids sur les questions autochtones en faisant pression sur le Canada et toutes les provinces pour qu'ils consacrent des ressources à la santé, à l'éducation, au logement, aux services d'égout et d'approvisionnement en eau et au développement économique pour les Autochtones. L'accord de Kelowna, conclu l'automne dernier, établit des priorités clés et prend des engagements importants visant à combler l'écart qui existe entre les Autochtones et les non-

Autochtones au niveau de la qualité de vie. Le Manitoba continuera à travailler avec les peuples autochtones pour défendre l'accord de Kelowna et veiller à ce que les investissements promis soient effectués. Nous sommes déterminés à faire notre part.

Au cours des premières années après notre élection, nous avons tenu notre promesse de rétablir la Prestation nationale pour enfants. Monsieur le Président, nous remettons chaque année 13,7 millions de dollars aux familles qui en ont le plus besoin.

En 2002, avant l'établissement d'un partenariat fédéral-provincial sur la garde d'enfants, notre gouvernement a lancé un plan quinquennal important pour augmenter le nombre de places en garderie et pour investir dans les éducateurs des jeunes enfants. Au mois d'avril de l'année dernière, le gouvernement du Canada a signé des accords avec le Manitoba, l'Ontario et le Québec prévoyant le versement sur plusieurs années de nouveaux fonds fédéraux pour l'apprentissage et la garde des jeunes enfants. Dans le prolongement de notre plan quinquennal, des améliorations seraient apportées à notre excellent système public de garde d'enfants et des choix nouveaux et plus nombreux seraient offerts aux familles manitobaines, notamment :

- 1 650 nouvelles places subventionnées en garderie à Winnipeg;
- 700 nouvelles places subventionnées à Brandon, à Portage-la-Prairie, à Dauphin, à Russell, à Swan River, à Teulon, à McCreary, à Souris, à Arborg, à Springfield, à Morden, à Beausejour, à Shilo, à Saint-Pierre-Jolys et dans d'autres collectivités rurales du Manitoba;
- 68 nouvelles places subventionnées pour les collectivités du Nord, soit Le Pas, Thompson, Gillam et Churchill;
- un financement d'immobilisations pour la rénovation, l'agrandissement et la construction d'établissements de garde d'enfants;
- de nouvelles places dans les établissements de formation et des augmentations salariales pour les éducateurs des jeunes enfants.

Nous continuerons à collaborer avec le gouvernement canadien et avec les autres provinces afin de trouver un juste équilibre entre les promesses du gouvernement fédéral et les investissements que nous effectuons en vue d'accroître les choix offerts aux enfants et aux familles du Manitoba en matière de garde d'enfants.

Notre gouvernement augmente l'offre de logements abordables pour répondre à la demande croissante. Dans le cadre du programme fédéral-provincial de logements à prix abordable, nous avons investi dans la réparation, la rénovation et la construction de 3 000 logements à Winnipeg, à Brandon et à Thompson. Notre gouvernement présentera aussi des mesures législatives qui permettront de consacrer au logement et au développement communautaire dans le centre-ville de Winnipeg les profits découlant du projet Waverley West et d'autres projets de développement des banlieues.

En plus de répondre à la demande en logement, notre gouvernement entreprend une restructuration et une amélioration considérables du système manitobain actuel d'allocations-logement, ce qui représente une étape importante dans notre stratégie de lutte contre la pauvreté. Monsieur le Président, nous accordons un financement de 7,8 millions de dollars pour aider les personnes et les familles à faible revenu à faire face à la hausse des coûts de logement. Dans le cadre de notre nouveau programme, le nombre de personnes et de familles ayant droit à un soutien sera au moins trois fois plus élevé. Ce nombre comprendra davantage de personnes handicapées, qui seront admissibles à une nouvelle prestation pouvant atteindre 2 400 $ par année.

Dans le cadre de notre engagement d'appuyer la dignité, la qualité de vie et les possibilités de vie autonome, le budget d'aujourd'hui investit 13,6 millions de dollars de plus dans les services d'aide à la vie en société pour les personnes ayant une déficience mentale.

Notre gouvernement a amélioré les prestations d'aide à l'emploi et au revenu en ajoutant de nouveaux soutiens en vue d'aider les personnes à obtenir un emploi, de favoriser l'indépendance et d'améliorer la qualité de vie. Aujourd'hui, 2 490 personnes et familles de moins qu'en 1999 reçoivent des prestations d'aide au revenu. Le Budget 2006 investit dans la création d'un nouveau programme de formation pratique et d'aide à l'emploi destiné aux personnes cherchant du travail, en vue de réduire le temps qu'elles consacrent à la recherche et d'augmenter leurs chances de trouver un emploi.

Le présent budget s'appuie sur nos réalisations quant à l'amélioration de la qualité de vie des personnes âgées du Manitoba. Le Budget 2006 investit dans une stratégie de vieillissement en santé à l'intention des aînés, qui comprend de nouvelles ressources visant à accroître les services communautaires, à améliorer l'accès aux services gouvernementaux pour les personnes âgées et à élargir la stratégie de prévention des mauvais traitements envers les personnes âgées.

Dans le cadre de sa nouvelle stratégie axée sur le vieillissement chez soi, notre gouvernement effectue d'importants investissements pour permettre à plus de personnes âgées de demeurer dans leur communauté. Cette stratégie de soins de longue durée de 98 millions de dollars sur quatre ans à l'intention des aînés vise à augmenter l'aide pour l'intégration communautaire et à offrir des solutions de rechange aux soins en établissement.

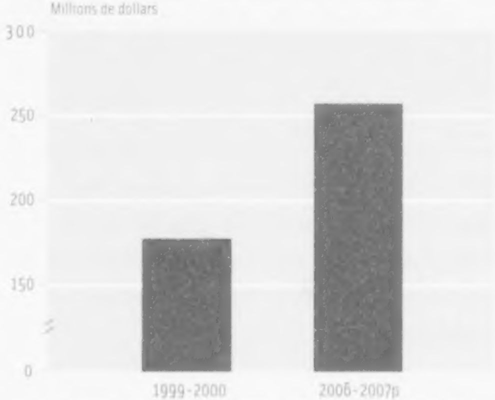
## Bâtir le Manitoba

Monsieur le Président, notre gouvernement bâtit pour aujourd'hui et pour l'avenir.

Les résultats de nos investissements dans des priorités d'infrastructure se voient dans toute la province. Depuis 1999, nous avons concentré nos efforts sur des investissements en immobilisations qui étaient depuis longtemps nécessaires pour les soins de santé, les écoles publiques, l'enseignement postsecondaire, les routes, et les projets hydrauliques et municipaux essentiels.

En 1999, le nouvel hôpital qui avait été promis à Brandon demeurait inexistant et le Centre des sciences de la santé continuait à se détériorer. Notre gouvernement a respecté son engagement en ce qui concerne ces projets d'immobilisations importants. Monsieur le Président, nous avons fourni un nouvel hôpital pour Brandon, et nous avons mis en œuvre le plus important projet d'immobilisations en soins de santé jamais réalisé, dans

### Dépenses consacrées au réseau routier*



* Comprend la construction de routes, les chemins d'hiver et l'entretien.

p : prévisions

Source : Transports et Services gouvernementaux Manitoba

le cadre de la reconstruction du Centre des sciences de la santé.

Par l'entremise de nos sept budgets, notre gouvernement a fourni une aide en matière d'immobilisations de plus de 200 millions de dollars pour les universités et collèges, et de 378 millions de dollars pour les écoles publiques.

L'industrie de la construction du Manitoba s'attend à une croissance accélérée grâce à des projets d'immobilisations importants tels que l'agrandissement du canal de dérivation et la construction de nouvelles centrales hydroélectriques. Notre gouvernement fait de la formation et de l'embauche des Autochtones une priorité.

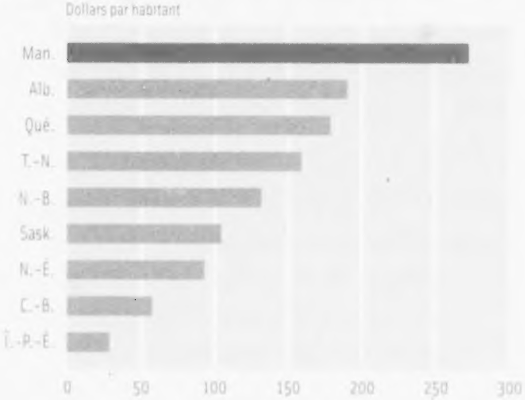
Monsieur le Président, le Budget 2006 comprend plus de 29 millions de dollars de dépenses supplémentaires consacrées au réseau routier pour la construction de routes, les chemins d'hiver et l'entretien. L'aide financière record consacrée cette année aux routes, soit 257 millions de dollars, fait avancer les projets prioritaires tels que l'élargissement à quatre voies de la route n<sup>o</sup> 1 jusqu'à la frontière de la Saskatchewan, la poursuite des travaux du côté est de la route périphérique, la réfection de la route n<sup>o</sup> 6 au nord de Grand Rapids et le renforcement de la route n<sup>o</sup> 68 traversant la région d'Entre-les-Lacs pour satisfaire aux normes de l'Association des transports du Canada. Un nouveau financement appuiera des investissements importants pour répondre aux nouveaux besoins relatifs à la route n<sup>o</sup> 1 à l'est de Winnipeg et à la route n<sup>o</sup> 75 au sud.

Monsieur le Président, le Budget 2006 prévoit une augmentation de 30 % des projets d'infrastructure hydrauliques, et le financement alloué au drainage est plus que doublé. Un financement supplémentaire appuiera le réseau régional de traitement des eaux usées de Gimli ainsi que le début de la construction de la canalisation régionale de Yellowhead.

Nous fournissons 32 millions de dollars dans le cadre d'ententes de partage des coûts pour permettre aux municipalités de faire avancer les projets d'infrastructure prioritaires, tels que le passage inférieur du boulevard Kenaston, l'amélioration du réseau de traitement des eaux usées de Winnipeg, le centre Keystone de Brandon, le réseau de télécommunications de la région des Parcs et le programme de transmission à large bande dans le Nord.

Bâtir pour l'avenir signifie aussi partager des recettes avec les municipalités. Le Manitoba demeure un chef de file national pour ce qui est de l'aide financière accordée aux municipalités.

## Financement provincial accordé aux municipalités



Source : Statistique Canada 2004 (données les plus récentes)

Remarque : Exclut l'Ontario ou les municipalités sont principalement responsables des programmes d'aide sociale et reçoivent des transferts du gouvernement provincial, contrairement à toutes les autres provinces.

Dans le cadre de notre dernier budget, nous avons établi le nouveau Fonds de croissance du Manitoba grâce auquel 119 millions de dollars ont été consacrés aux infrastructures et services municipaux du Manitoba. Le Fonds de croissance du Manitoba a permis d'élargir le système manitobain de partage des recettes de l'impôt sur le revenu pour inclure le partage des recettes découlant de la taxe sur le carburant, ce qui représente deux sources importantes d'augmentation des recettes pour les municipalités.

Le Fonds de croissance du Manitoba fonctionne comme prévu, avec une augmentation de 7,9 millions de dollars en 2006.

Monsieur le Président, grâce au Fonds de croissance du Manitoba, la Ville de Winnipeg recevra en 2006 un financement accru de 4,5 millions de dollars, soit une hausse de 5,7 %, y compris des fonds supplémentaires pour les transports en commun. Il s'agit de la deuxième année consécutive au cours de laquelle le financement des transports en commun augmente de plus de 15 %.

Le Fonds de croissance du Manitoba fournira aussi un montant supplémentaire de 3,4 millions de dollars aux municipalités à l'extérieur de Winnipeg en 2006, y compris des versements accrus pour toutes les municipalités et des fonds consacrés aux bibliothèques et installations récréatives municipales. Au cours des deux prochaines années, le Manitoba accordera 7,0 millions de dollars par l'intermédiaire du Fonds de croissance du Manitoba pour permettre aux municipalités d'investir dans des bibliothèques et des installations récréatives.

Pour donner suite à notre engagement, le Budget 2006 prévoit une nouvelle subvention pour la Ville de Winnipeg destinée à alléger les coûts liés aux évaluations foncières, ce qui donne un traitement identique à celui dont jouissent les autres municipalités. Ce financement crée une marge de manœuvre pour la Ville lui permettant de respecter ses priorités budgétaires, telles que des investissements dans les routes.

En 2005, nous avons commencé à partager 5 % des recettes des casinos avec la Ville de Winnipeg. Fidèles à notre engagement, nous augmentons à 10 % en 2006 la part des recettes des casinos partagées avec la Ville.

## Revitaliser nos villes

La démarche de travail en partenariat avec la Ville de Winnipeg donne des résultats impressionnants. Les Winnipégois et Winnipégoises peuvent voir les signes de la revitalisation du centre-ville, notamment dans les projets suivants :

- le Centre MTS qui peut accueillir 15 000 spectateurs;
- la Bibliothèque du Millénaire qui vient de rouvrir ses portes;
- la construction du nouveau siège social d'Hydro-Manitoba conçu de façon respectueuse de l'environnement;
- le réaménagement résidentiel de la promenade Waterfront.

Une nouvelle étude effectuée par la Zone d'amélioration commerciale du centre-ville indique que le nombre de visites des Winnipégois et Winnipégoises au centre-ville a augmenté de 50 % depuis 2003, en grande partie grâce à de nouvelles attractions au centre-ville, au nombre accru d'étudiants universitaires et collégiaux, et au plus grand nombre de personnes qui vivent le long de la promenade Waterfront et dans le Quartier de la Bourse.

Monsieur le Président, l'année dernière notre gouvernement a élargi le programme efficace Quartiers vivants pour inclure sept quartiers additionnels de Winnipeg. Le Budget 2006 prévoit des fonds pour la deuxième année de cette expansion, ce qui fournit des ressources à davantage de collectivités pour favoriser la revitalisation des quartiers.

Cette année, notre gouvernement augmentera son appui au développement économique communautaire pour inclure un nouveau projet pilote innovateur de centre communautaire de services financiers dans le quartier nord de Winnipeg. Ce nouveau centre offrira des services financiers abordables et accessibles qui aideront à répondre au départ des fournisseurs de services financiers ordinaires et à l'expansion des prêteurs sur salaire.

D'importants projets de revitalisation sont aussi en cours dans la Ville de Brandon, Monsieur le Président.

Notre gouvernement a appuyé le projet de réaménagement de 15 millions de dollars du centre Keystone à Brandon. Grâce à un partenariat tripartite, le nouveau centre d'excellence en agriculture sera achevé d'ici la fin du mois de mars, à temps pour la Royal Manitoba Winter Fair.

Monsieur le Président, la Province s'est engagée à déménager en grande partie le campus du collège communautaire Assiniboine sur le site de l'ancien Centre de santé mentale de Brandon. Nous travaillerons en partenariat avec la Ville de Brandon afin de faire progresser cette initiative.

Le nouveau centre de mieux-être de l'Université de Brandon offrira aux résidents de Brandon et des collectivités environnantes de nouvelles possibilités de devenir actifs. La création du nouveau temple de la renommée national du curling sera une attraction supplémentaire pour Brandon.

Quartiers vivants a versé 1,8 million de dollars à ce jour pour les activités de revitalisation à Brandon, dont près de un million pour des projets dans le centre-ville. Notre gouvernement continuera à collaborer avec la Ville de Brandon en ce qui concerne son initiative de renouvellement du centre-ville.

## Régions rurales du Manitoba

Monsieur le Président, les producteurs agricoles ont fait face à un certain nombre de défis au cours de l'année passée, y compris des inondations de surface importantes, les répercussions persistantes de la fermeture de la frontière américaine et une certaine faiblesse des productions culturales due aux conditions climatiques. Les populations des régions rurales du Manitoba ont encore une fois démontré leur dévouement et leur travail acharné face à ces défis. La réouverture partielle de la frontière américaine au bétail et les améliorations des recettes monétaires tirées de la vente du bétail sont des développements positifs. Notre gouvernement demeure résolu à travailler avec les familles agricoles, les producteurs et l'industrie pour bâtir une économie rurale qui soit vigoureuse et diversifiée.

Le Manitoba a fourni les ressources nécessaires pour doubler l'assistance offerte aux familles agricoles pour l'exercice 2005-2006, grâce à une contribution provinciale de 104 millions de dollars au Programme canadien de stabilisation du revenu agricole. Les agriculteurs manitobains ont reçu plus de 500 millions de dollars de paiements d'assurance-production pour la perte de cultures au cours des deux dernières années, soit le paiement sur deux ans le plus important qui ait été documenté au Manitoba. Le budget d'aujourd'hui apporte d'autres améliorations à notre programme de soutien contre l'humidité excessive, offrant aux agriculteurs de nouvelles options pour augmenter leur couverture d'assurance.

L'initiative Profitons des possibilités de croissance de notre gouvernement aide à répondre aux besoins changeants des agriculteurs d'aujourd'hui et de leur famille, et à saisir les occasions de développement économique dans les régions rurales. Des agents de développement économique sont maintenant en poste dans chacune de nos dix équipes PRO dans les zones rurales manitobaines. Notre gouvernement consulte les collectivités rurales et du Nord pour déterminer de nouveaux moyens de créer des possibilités d'amélioration du développement économique, d'augmentation du nombre d'emplois, et d'expansion de la capacité d'abattage et de la transformation à valeur ajoutée.

Les investissements provinciaux appuient un groupe unique de recherche, de développement et de commercialisation des aliments fonctionnels et des produits de santé naturels, qui est de calibre international et qui comprend :

- le nouveau Centre Richardson de recherche sur les aliments fonctionnels à l'Université du Manitoba;
- le Centre national de recherches agroalimentaires en médecine à Saint-Boniface;
- le Centre de développement de produits alimentaires de Portage-la-Prairie, qui a récemment été agrandi.

Un nombre croissant de produits sont cultivés au Manitoba, et transformés en produits finis au Manitoba. Les investissements de notre gouvernement dans le Centre de développement de produits alimentaires ont permis à Great Plains Aseptic Processors de devenir un partenaire en recherche et développement. Aujourd'hui, Great Plains prépare les soupes gastronomiques manitobaines Peak of the Market dans son installation de Portage-la-Prairie. À Sainte-Agathe, Associated Proteins, une entreprise fructueuse de broyage d'oléagineux dont la production commerciale tourne à plein régime, utilise du canola de producteurs manitobains et crée des possibilités d'emplois en région rurale.

Monsieur le Président, il y a aujourd'hui dans les régions rurales du Manitoba un enthousiasme grandissant pour les nouvelles cultures d'énergie propre que sont le vent, l'éthanol et le biodiésel.

La première centrale éolienne du Manitoba, un projet de 210 millions de dollars situé à Saint-Léon, tournera à plein régime cette année et générera neuf millions de dollars en paiements de bail immobilier versés aux agriculteurs des régions rurales du Manitoba pendant la durée du projet. Des propositions de développement d'énergie éolienne allant jusqu'à 1 000 MW sur dix ans sont actuellement à l'étude. D'après les prévisions, la production de 1 000 MW générerait deux milliards de dollars d'investissements et 100 millions de dollars de versements de droits éoliens aux propriétaires fonciers.

Les mesures législatives manitobaines visant à réglementer l'utilisation de l'éthanol, de concert avec le financement fédéral, sont à la base de l'investissement de 145 millions de dollars effectué par la société Husky Oil pour agrandir son usine de production d'éthanol à Minnedosa. Avec une augmentation de la production à 130 millions de litres par an, l'agrandissement de l'usine Husky offre la possibilité d'un revenu supplémentaire de 80 millions de dollars par an pour les agriculteurs qui vendent leurs récoltes pour la production de ce carburant plus propre.

Notre gouvernement donne suite aux suggestions du Conseil consultatif sur le biodiésel du Manitoba en prenant des mesures importantes pour encourager la production de biodiésel dans notre province. Nous travaillons en partenariat avec le gouvernement fédéral pour mettre sur pied un programme de production de biodiésel d'une valeur de 1,5 millions de dollars, afin d'encourager la création d'installations communautaires plus petites pour approvisionner les marchés locaux et régionaux. Monsieur le Président, nous accorderons un soutien supplémentaire pour la croissance de l'industrie du biodiésel partout au Manitoba.

Le Budget 2006 prévoit de nouvelles ressources pour poursuivre un partenariat fédéral visant à doubler le nombre d'équipes manitobaines de prospection des sols. Le travail de ces nouvelles équipes permettra d'améliorer les opérations de cartographie pour l'application des nouvelles *Loi sur la protection des eaux* et *Loi sur l'aménagement du territoire*, assurant ainsi la protection de la qualité de l'eau dans la planification de nouveaux aménagements.

Le budget d'aujourd'hui présente aussi un nouveau programme de prêt afin d'aider les agriculteurs à apporter des améliorations économiques et environnementales à leur exploitation agricole, programme qui vient s'ajouter aux mesures incitatives existantes découlant de l'Accord sur le Cadre stratégique pour l'agriculture.

Le Manitoba aura le plaisir d'accueillir la Conférence des premiers ministres de l'Ouest à Gimli au mois de mai. Nous partagerons la beauté unique du lac Winnipeg, l'une de nos plus précieuses ressources, avec les premiers ministres du nord et de l'ouest du Canada. La conférence de cette année sera associée aux réunions de la Western Governors' Association, ce qui nous donnera l'occasion de renforcer nos partenariats.

## Le nord du Manitoba

La Stratégie de développement du Nord permet d'offrir aux habitants de cette région du Manitoba davantage de possibilités d'éducation, de formation professionnelle et de développement des compétences.

Notre gouvernement a investi de manière importante dans l'avenir du nord de la province en créant le Collège universitaire du Nord. Aujourd'hui, le Collège offre au-delà de 40 programmes d'études à plus de 2 000 étudiants dans 12 endroits répartis dans le Nord.

Au-delà de 800 apprentis ont déjà bénéficié du partenariat de 60 millions de dollars formé par le Canada, le Manitoba et Hydro-Manitoba pour la formation préalable aux projets hydroélectriques dans le Nord. Nos partenaires autochtones renforcent leur capacité communautaire en planifiant et en offrant une formation axée sur les besoins locaux.

Lors des rencontres de Kelowna, les dirigeants ont établi des objectifs importants afin d'offrir aux communautés isolées et aux collectivités autochtones l'accès aux services Internet à large bande. Notre gouvernement s'est engagé à offrir les services à large bande dans les communautés isolées et les collectivités autochtones, accroissant de ce fait les possibilités dans les domaines de l'éducation, des soins de santé et du développement économique. Monsieur le Président, en collaboration avec le gouvernement fédéral et le secteur privé, notre gouvernement a pris pour objectif de donner à 60 communautés isolées ou autochtones accès aux services à large bande d'ici les deux prochaines années.

Le budget d'aujourd'hui comprend une nouvelle aide financière pour permettre aux collectivités autochtones de prendre part aux activités de mise en valeur des ressources minérales.

Un nombre croissant de collectivités du Nord favorisent les cultures et la récolte traditionnelles et l'autosuffisance alimentaire. Notre Initiative d'alimentation saine dans le Nord encourage ces activités agricoles en tant que solutions de rechange concrètes aux coûts élevés des produits alimentaires commerciaux dans les collectivités isolées.

Dans le budget d'aujourd'hui, nous poursuivons notre engagement pluriannuel envers l'Initiative de développement de la porte d'accès de Churchill, pour faire connaître au reste du monde les avantages de Churchill sur le plan du transport maritime.

Avec le Budget 2006, et en partenariat avec le gouvernement fédéral, notre gouvernement soutient la conversion de la collectivité de South Indian Lake en réserve de la toute nouvelle Première nation du Manitoba, la nation crie de O-Pipon-Na-Piwin. Comme l'ont longtemps encouragé les Premières nations, et à la lumière des recommandations du sommet pour les Autochtones organisé par le Conseil consultatif économique du premier ministre, le Manitoba s'est engagé à travailler avec le gouvernement fédéral et les Premières nations pour accélérer le règlement des revendications relatives aux droits fonciers issus des traités.

Pendant la préparation aux rencontres de Kelowna l'automne dernier, le Manitoba a lancé un défi au gouvernement fédéral : nous investirons dans la modernisation des réseaux d'alimentation en eau et des systèmes d'égouts des communautés du Nord; Ottawa devrait investir dans la modernisation des réseaux d'alimentation en eau et des systèmes d'égouts des réserves. Dans le cadre d'une stratégie pluriannuelle visant la modernisation de toutes les collectivités relevant des Affaires du Nord, le Budget 2006 fait progresser les projets de traitement de l'eau à Sherridon, à Duck Bay, à Dawson Bay et à Mallard, ainsi que les projets d'épuration des eaux usées à Cormorant et à Matheson Island.

Le Manitoba continuera à mettre en avant le besoin d'investissements par le gouvernement fédéral dans les réseaux d'alimentation en eau et les systèmes d'égouts des collectivités autochtones.

## Les arts et la culture au Manitoba

Les arts et la culture font partie intégrante des collectivités du Manitoba et de notre économie. Le Budget 2006 poursuit notre soutien aux industries culturelles et aux attractions et manifestations de calibre international.

Des films qui ont connu beaucoup de succès tels que *Capote* et le film dramatique devenu série télévisée *Falcon Beach* renforcent la réputation du Manitoba comme emplacement privilégié pour la réalisation de films. Depuis 1999, la valeur de l'industrie cinématographique du Manitoba s'est accrue de 37 millions de dollars à sa valeur actuelle de 100 millions de dollars; elle a donc presque triplée en sept ans seulement.

Le Manitoba continuera d'être concurrentiel par rapport aux autres lieux de production de films.

Le Budget 2006 accorde aux grands organismes culturels un soutien accru. Le financement pour le Programme de soutien aux festivals communautaires est aussi à la hausse, augmentant l'appui à un plus grand nombre de festivals dans les régions rurales et du Nord célébrant la diversité de notre culture et de notre patrimoine.

La culture autochtone est un élément important du patrimoine manitobain, et elle constitue une force croissante pour ce qui est de l'expression artistique contemporaine. Le Budget 2006 prévoit de nouvelles ressources qui permettront de travailler avec la communauté autochtone afin de lancer un nouveau festival annuel célébrant sa culture.

Dans le Budget 2006, nous poursuivons notre engagement d'augmenter le financement à Sport Manitoba et d'appuyer la présentation du 94<sup>e</sup> match de finale de la Coupe Grey de la Ligue canadienne de football à Winnipeg cette année.

## Des collectivités plus sûres

Monsieur le Président, il est important de réduire la criminalité et d'améliorer la sécurité si l'on veut bâtir des collectivités saines. L'approche de notre gouvernement en matière de justice a toujours été la même : ferme dans la manière de traiter le crime, et ferme dans la manière de traiter les causes profondes de la criminalité.

Le Budget 2006 prévoit de nouveaux investissements importants dans le plan manitobain d'action contre le crime.

Le budget de l'année dernière prévoyait des fonds pour 54 nouveaux postes d'agents de police, ce qui représentait la plus grande augmentation de financement des services de police dans l'histoire de notre province. Le Budget 2006 renforce ce soutien en s'engageant à financer 31 postes de police supplémentaires, soit 23 pour Winnipeg, deux pour Brandon et six pour améliorer les services de police dans les collectivités autochtones.

Le Manitoba a la réputation d'avoir la législation antigang la plus sévère au Canada. Le Budget 2006 double la taille de la Section de poursuite des gangs qui, depuis sa mise sur pied en novembre 2003, a contribué à plus de 280 déclarations de culpabilité pour des membres de gang. Cette équipe spécialisée sera agrandie pour comprendre 16 postes, dont cinq nouveaux avocats de la Couronne, afin de cibler les activités des gangs.

En nous fondant sur notre expérience et sur les meilleures pratiques exercées dans l'ensemble de l'Amérique du Nord, nous allons également élargir la portée de notre stratégie de lutte contre les gangs en mettant l'accent sur la mobilisation communautaire ainsi que sur le renforcement de la supervision des jeunes à risque et du soutien qui leur est offert. Ces mesures viendront s'ajouter aux programmes existants réussis tels que l'unité de lutte intégrée contre le crime organisé qui, avec le soutien de la Province, travaille avec la GRC et les services de police de Winnipeg et de Brandon et qui a obtenu des résultats positifs en s'attaquant aux chefs du crime organisé.

Plus de 150 lieux de consommation de drogues, de rassemblement de gangs et de prostitution ont déjà été fermés en vertu de la *Loi visant à accroître la sécurité des collectivités et des quartiers* et de la *Loi sur les bâtiments fortifiés*, et nous allons introduire de nouvelles mesures législatives pour renforcer la *Loi visant à accroître la sécurité des collectivités et des quartiers*.

Grâce à l'initiative antivol manitobaine, qui comprend des sanctions plus rigoureuses pour les voleurs de véhicules et le programme populaire de la SAPM encourageant les propriétaires à utiliser des interrupteurs d'allumage, il y a eu 1 680 vols de véhicules de moins l'année dernière. Dans le cadre d'un partenariat avec la SAPM, le Budget 2006 alloue un million de dollars à la lutte contre le vol de véhicules.

Le programme Lighthouses est une initiative novatrice de notre gouvernement : il apporte de l'espoir à la jeunesse du Manitoba, il offre des activités récréatives après les heures d'école ainsi que des possibilités éducatives et sociales, et il bâtit de meilleures relations entre les jeunes, les collectivités, la police et le système judiciaire dans un contexte de prévention du crime. Le Budget 2006 augmente à 45 le nombre de lieux-phares dans l'ensemble du Manitoba, un chiffre qui nous rapproche de notre objectif de 50.

Notre gouvernement a aussi créé un poste de procureur communautaire pour cibler les crimes de rue et d'autres priorités communautaires dans le centre-ville et dans le secteur est de Winnipeg. Cette stratégie communautaire en matière de poursuites est une première au Canada.

Le Manitoba est reconnu au niveau national pour ses efforts de lutte contre la violence familiale et les ravages que cette violence cause dans les familles, tout particulièrement aux femmes et aux enfants. Grâce au projet de gestion initiale des causes de violence familiale, qui est dirigé par le juge en chef et qui a remporté un prix, ces causes sont maintenant traitées plus rapidement dans le système judiciaire. Notre gouvernement a adopté des mesures législatives pour protéger un plus grand nombre de victimes de violence, y compris les personnes dans une relation de fréquentation, et pour garantir l'exécution des ordonnances de protection délivrées par des tribunaux de l'extérieur de la province. Le Budget 2006 accorde un plus grand soutien aux initiatives communautaires de prévention de la violence familiale et aux services d'hébergement d'urgence pour les adultes vulnérables. Plus de financement est aussi prévu pour l'unité d'intervention et de services aux victimes afin qu'elle travaille avec la police à aider les familles à risque dans des situations où aucune accusation n'a été portée.

Monsieur le Président, nous affecterons un cinquième juge de la Cour provinciale dans le nord de la province pour servir les collectivités autochtones.

Notre gouvernement a établi un comité consultatif spécial pour obtenir des conseils sur le type de centre correctionnel qu'il faudrait pour remplacer la vieille prison pour femmes, et sur l'emplacement de ce nouvel établissement. Notre gouvernement présentera le rapport du comité et prendra des mesures pour mettre en œuvre ses recommandations.

En outre, de nouveaux fonds sont prévus pour augmenter la capacité et la sécurité dans les établissements correctionnels de Dauphin, de Headingley et de Milner Ridge.

Monsieur le Président, notre gouvernement recommande depuis longtemps des changements au Code criminel du Canada afin d'interdire l'utilisation de condamnations avec sursis pour les auteurs de crimes de violence sérieux, pour les personnes reconnues coupables de conduite avec facultés affaiblies causant la mort et pour les auteurs d'infractions sexuelles à l'égard des enfants. Nous avons aussi exercé des pressions pour l'utilisation de peines minimales obligatoires pour la contrebande des armes à feu. Nous avons bon espoir, Monsieur le Président, que le gouvernement fédéral, tout comme notre gouvernement, est préoccupé par ces questions.

## Sécurité et hygiène du travail

Monsieur le Président, la sécurité dans nos collectivités comprend la sécurité sur nos lieux de travail. Des lieux de travail hygiéniques et sécuritaires sont bons pour les travailleurs, bons pour les familles et bons pour les affaires. Nous progressons dans la réduction du temps perdu à cause de blessures : nous avons déjà réussi à obtenir une baisse de 20 %. En partenariat avec la Commission des accidents du travail, et en nous inspirant de la réussite de la campagne Sain et sauf au travail, le Budget 2006 augmente les ressources consacrées aux initiatives de sécurité et d'hygiène du travail.

## Des économies d'impôt pour les familles et les entreprises du Manitoba

Grâce aux économies d'impôt que le Budget 2006 leur procure, les entreprises du Manitoba seront plus concurrentielles, et les familles qui y résident profiteront d'un coût de la vie encore plus abordable.

Le Manitoba est l'endroit idéal où vivre, travailler et élever une famille, étant donné la qualité de vie qu'on y trouve et les avantages fondamentaux qui y sont offerts, dont les suivants :

- des tarifs d'assurance automobile parmi les plus bas au pays, et d'électricité parmi les plus bas au monde;
- un système d'enseignement supérieur de qualité à un coût abordable;
- un milieu naturel attrayant et sain;
- des activités culturelles et artistiques de calibre mondial, à un coût abordable.

Même si la valeur des maisons est à la hausse, le Manitoba demeure l'un des endroits où le prix d'achat d'une maison de qualité est parmi les moins élevés.

Le climat des affaires du Manitoba est concurrentiel : une étude récente de la société KPMG sur la compétitivité du coût des affaires place Winnipeg devant Calgary, Vancouver, Montréal, Ottawa et Toronto. De même, Winnipeg se compare favorablement à bon nombre de grandes villes américaines, et présente un avantage concurrentiel par les coûts en comparaison avec Minneapolis et Chicago.

Notre avantage concurrentiel résulte d'un ensemble exceptionnel de facteurs :

- l'une des économies les plus stables et diversifiées du Canada;
- une population active productive, instruite et multilingue;
- des services de santé et un système d'enseignement publics et de qualité;
- le coût concurrentiel de la construction, des terrains et des bureaux;
- une grande capacité de recherche et de développement, à laquelle s'ajoutent de généreux incitatifs fiscaux;
- notre position stratégique dans le corridor de commerce du centre du continent.

Monsieur le Président, pendant sept ans, nous avons tenu chaque promesse de réduction d'impôt et de taxe que nous avons faite, et dans certains cas nous avons même été plus loin. Notre gouvernement est déterminé à faire sa part pour que le Manitoba soit une province concurrentielle et pour que le coût de la vie y demeure abordable.

Le Budget 2006 respecte notre engagement d'éliminer la taxe résidentielle d'aide à l'éducation, ce qui accorde aux Manitobains et Manitobaines une épargne fiscale supplémentaire de 34 millions de dollars cette année. Pour une maison de 150 000 dollars, cela représente une épargne annuelle de 163 dollars. Monsieur le Président, il y a maintenant une taxe de moins au Manitoba.

Après 11 ans d'augmentation des taxes et impôts fonciers, chacun de nos sept budgets a offert une réduction de l'impôt foncier en matière d'éducation pour les propriétaires de résidence. Nous nous sommes engagés à progresser encore plus dans ce sens avec nos futurs budgets.

Nous prenons d'autres mesures en ce qui concerne les impôts fonciers. En 2003, nous avions promis de réduire de 20 % l'impôt foncier en matière d'éducation touchant les terres agricoles, mais nous avons été plus loin : nous l'avons réduit de 50 %. Et nous allons encore plus loin maintenant : pour l'année scolaire 2006, nous dépassons notre engagement antérieur auprès des agriculteurs en haussant cette réduction d'impôt foncier à 60 %. Monsieur

## Épargne résultant de l'élimination de la taxe résidentielle d'aide à l'éducation, 2005-2006

| Valeur de la maison | Épargne annuelle |
|---|---|
| 100 000 $ | 109 $ |
| 150 000 $ | 163 $ |
| 175 000 $ | 191 $ |

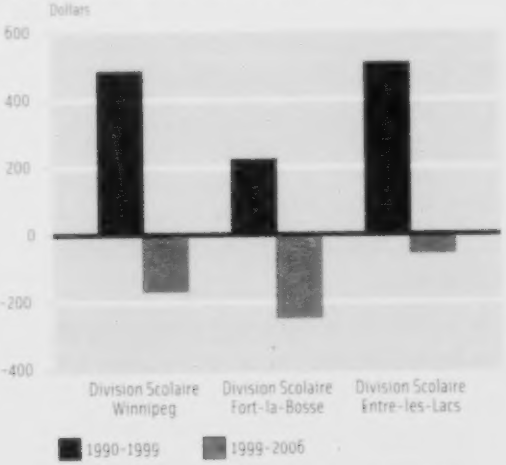
Source : Finances Manitoba

le Président, cette réduction supplémentaire accordera aux agriculteurs du Manitoba une épargne fiscale nette de 4,6 millions de dollars.

Notre gouvernement a réduit de façon régulière l'impôt sur le revenu des particuliers, et le Budget 2006 continue dans la même voie. Je suis heureux d'annoncer aujourd'hui que le Budget 2006 respecte notre engagement de réduire à 13 % le taux d'imposition intermédiaire dès le 1^er^ janvier 2007, ce qui représente une réduction totale de ce taux de 20 % depuis l'an 2000. De plus, le montant personnel de base sera de nouveau augmenté de 100 $. Monsieur le Président, ces nouvelles mesures accorderont aux contribuables de notre province une épargne supplémentaire de 32,3 millions de dollars en allègements fiscaux annuels, en plus de rayer 2 000 Manitobains et Manitobaines à faible revenu du rôle d'imposition.

Au début de 1999, notre taux d'imposition des petites entreprises était, à 9 %, le deuxième plus élevé au pays. Notre gouvernement a réduit ce taux de moitié et doublé le montant des bénéfices admissibles à ce taux d'imposition préférentiel – plus de 90 % des corporations imposables du Manitoba y ont maintenant droit. Monsieur le Président, je suis heureux d'annoncer aujourd'hui que nous allons encore plus loin dans le respect de notre engagement envers les petites entreprises du Manitoba : le 1^er^ janvier 2007, le taux d'imposition des petites entreprises sera réduit à 3 %, ce qui nous placera au deuxième rang au Canada. Grâce à cette réduction additionnelle, la réduction cumulative de ce taux d'imposition s'élève à 63 % de ce qu'il était en 1999.

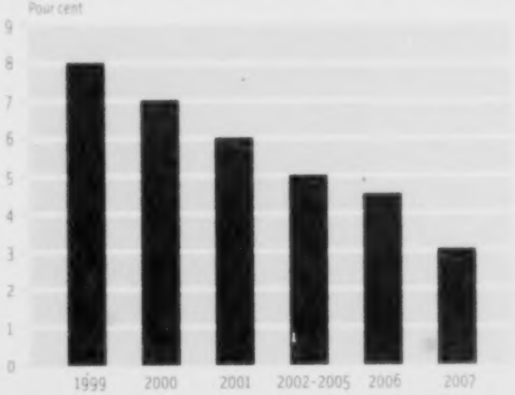
## Variation du total des taxes et impôts fonciers d'aide à l'éducation, pour une maison évaluée à 125 000 $ en 2006



Nota : Représentation de la somme des changements touchant la taxe spéciale, la taxe résidentielle d'aide à l'éducation et les crédits d'impôt foncier en matière d'éducation. Le taux de la taxe spéciale pour 2006, exprimé en millième de dollar, est préliminaire.

Source : Éducation, Citoyenneté et Jeunesse Manitoba

## Réduction du taux d'imposition des petites entreprises du Manitoba depuis 1999



Source : Finances Manitoba

En 1999, le Manitoba avait le taux général d'impôt sur les bénéfices des sociétés le plus élevé au pays, soit 17 %. Nous l'avons réduit à 14,5 %, et le 1er janvier 2007, il sera réduit à 14 %, ce qui représente une diminution sans précédent dans l'histoire de notre province. Monsieur le Président, je suis heureux d'annoncer aujourd'hui que le taux général d'impôt sur les bénéfices des sociétés sera réduit à 13 % à compter du 1er juillet 2008, sous réserve de l'application des mesures législatives sur l'équilibre budgétaire, ce qui représente une réduction cumulative de 24 % par rapport à ce que le taux était en 1999.

Je suis également heureux d'annoncer que le Budget 2006 double la déduction de l'impôt sur le capital des corporations à compter du 1er janvier 2007, la faisant passer de cinq millions de dollars à dix millions de dollars, ce qui diminue de 19 % le nombre d'entreprises devant payer cet impôt. De plus, notre gouvernement entreprendra l'élimination graduelle de l'impôt général sur le capital des corporations avec une réduction de 20 % du taux d'imposition à compter du 1er juillet 2008, sous réserve de l'application des mesures législatives sur l'équilibre budgétaire.

Les changements introduits par notre gouvernement dans le but de rendre plus concurrentiel le régime fiscal du Manitoba applicable à l'exploration pétrolière et gazière ont stimulé l'intérêt accordé à notre potentiel dans ce domaine, ce qui a contribué à des activités d'exploration et de développement sans précédent dans notre province. La production pétrolière annuelle au Manitoba a augmenté de 25 % depuis 2004, et les droits gaziers et pétroliers domaniaux relatifs à une aliénation ont augmenté de plus de 150 %. Dans le but d'appuyer davantage la croissance record de cette industrie, notre gouvernement accordera une exemption de la taxe de vente applicable aux installations de forage et à d'autre matériel utilisé pour l'exploration pétrolière et gazière.

Monsieur le Président, d'ici 2007, les Manitobains et Manitobaines bénéficieront d'une épargne annuelle de 618 millions de dollars par rapport à 1999, en ce qui concerne les taxes et impôts touchant les particuliers, les entreprises et les biens fonciers.

Pour les familles et les entreprises du Manitoba, il s'agit là d'un allègement considérable de leurs taxes et impôts, une épargne fiscale qui va plus loin que ce à quoi nous nous étions engagés et que nous avons réalisée, dans un contexte de responsabilité sur le plan budgétaire, sans

## Prévisions du budget sommaire à moyen terme

(en millions de dollars)

| | Prévisions 2005-2006 | Budget 2006-2007 | Projection 2007-2008 | Projection 2008-2009 | Projection 2009-2010 |
|---|---|---|---|---|---|
| **Recettes** | 8 365 | 8 651 | 8 911 | 9 201 | 9 539 |
| **Dépenses** | (8 339) | (8 622) | (8 842) | (9 117) | (9 452) |
| Résultats du Fonds de fonctionnement | 26 | 29 | 68 | 85 | 88 |
| **Transferts interfonds/Remboursement de la dette** | | | | | |
| Versement de réduction de la dette | (110) | (110) | (110) | (110) | (110) |
| Fonds de stabilisation des recettes | | | | | |
| Exigences générales | 68 | 55 | 0 | (1) | (4) |
| Réduction des délais d'attente/Programmes de santé | 18 | 30 | 45 | 30 | 30 |
| **Total des transferts interfonds** | **(24)** | **(26)** | **(65)** | **(82)** | **(85)** |
| **Solde conformément au MLEB / Transfert au FSR** | 3 | 3 | 3 | 3 | 3 |
| **Fonds spéciaux (changements au solde)** | | | | | |
| Fonds de remboursement de la dette | 25 | 26 | 28 | 29 | 30 |
| Fonds de stabilisation des recettes | (72) | (70) | (30) | (14) | (42) |
| Autres | 0 | (2) | (2) | (2) | (2) |
| **Total des changements aux fonds spéciaux** | (47) | (45) | (4) | 13 | (14) |
| **Entreprises publiques et organisations de la Couronne** | | | | | |
| Entreprises publiques | | | | | |
| Hydro-Manitoba | 375 | 222 | 123 | 132 | 135 |
| Société d'assurance publique du Manitoba | 46 | 10 | 10 | 11 | 9 |
| Corporation manitobaine des loteries | 273 | 267 | 267 | 267 | 267 |
| Société des alcools du Manitoba | 192 | 196 | 201 | 206 | 211 |
| Organismes de service spécial | 15 | 14 | 15 | 15 | 15 |
| Société des services agricoles du Manitoba | (145) | (3) | 5 | 8 | 8 |
| Autres | 75 | 41 | 45 | 46 | 46 |
| Retraitements de consolidation | (482) | (481) | (488) | (493) | (499) |
| **Net – Entreprises publiques et organisations de la Couronne** | 348 | 265 | 177 | 191 | 193 |
| Dépenses pour l'obligation non capitalisée découlant des régimes de retraite | (195) | (197) | (199) | (201) | (203) |
| Accroissement du Fonds d'amortissement des régimes de retraite | 144 | 125 | 138 | 146 | 158 |
| **Recettes nettes sommaires (Budget sommaire)** | **251** | **148** | **112** | **149** | **134** |

Les totaux peuvent varier en raison de l'arrondissement des chiffres.

Les données relatives aux exercices 2007-2008 à 2009-2010 sont fournies à titre d'illustration seulement. Le tableau des informations financières changera lorsque le gouvernement aura complété la présentation des rapports financiers sous forme de Budget sommaire, une initiative qui a déjà commencé (voir à la page B2).

compromettre des investissements publics importants dans les domaines de la santé et de l'éducation, et sans négliger notre plan de remboursement de la dette.

## Des budgets équilibrés

L'an passé, nous nous sommes engagés à produire dès 2007-2008 un budget sommaire marqué par l'intégralité, soit un rapport financier général sur toutes les entités qui font partie du gouvernement ou que le gouvernement contrôle, en nous conformant aux principes comptables généralement reconnus. Nos progrès sont constants et nous sommes sur la bonne voie pour respecter cet engagement. L'automne dernier, nous avons déposé les comptes publics au 31 mars 2005, les premiers comptes publics de l'histoire du Manitoba qui soient entièrement conformes aux principes comptables généralement reconnus. L'an prochain, suivant les recommandations du vérificateur général, le Budget sommaire deviendra le principal instrument de présentation de rapports budgétaires du Manitoba.

La présentation sous forme de budget sommaire indique que le Budget 2006 est équilibré, et que la Province prévoit un excédent budgétaire de 148 millions de dollars. Pour l'exercice 2005-2006, les renseignements tirés du troisième trimestre annoncent un excédent sous forme sommaire de 251 millions de dollars, une hausse de 55 millions de dollars par rapport aux prévisions budgétaires. Selon les prévisions actuelles, la dette sommaire nette de la Province devrait diminuer davantage en 2005-2006.

En 1999-2000, le ratio entre la dette nette et le PIB s'élevait à 31,4 %. Grâce aux progrès que nous avons accomplis dans la réduction de ce ratio, nous prévoyons qu'il diminuera à 24,5 % en 2006-2007. Nos prévisions indiquent qu'à moyen terme les excédents budgétaires sommaires vont se poursuivre.

Pour la septième année de suite, notre gouvernement présente un budget équilibré, conforme aux mesures législatives sur l'équilibre budgétaire, avec un solde budgétaire de 3 millions de dollars. À moyen terme, nous prévoyons que le fonds de fonctionnement continuera de présenter des résultats positifs.

Au 31 mars 2006, le solde du Fonds de stabilisation des recettes devrait atteindre 414 millions de dollars. Au 1<sup>er</sup> mars 2007, après le prélèvement des fonds déjà versés par le gouvernement fédéral pour la réduction des délais d'attente, du montant requis à titre d'investissement dans l'infrastructure, des fonds pour l'allègement de la taxe foncière pour les agriculteurs et les propriétaires de résidences, et des versements essentiels à l'enseignement postsecondaire, le Fonds de stabilisation des recettes se chiffrera à 345 millions de dollars, soit 81 millions de dollars de plus qu'en 1999-2000.

Notre gestion prudente des finances gouvernementales s'est méritée deux améliorations des cotes de crédit du Manitoba depuis notre entrée en fonction. Les cotes de crédit du Manitoba sont de catégorie investissement et sont solides :

**Cotes de crédit du Manitoba**

| | |
|---|---|
| Moody's Investors Services : | Aa2 |
| Standard and Poor's : | AA- |
| Dominion Bond Rating Service : | A élevé |

Le Budget 2006 prévoit une croissance des dépenses de 3,4 %, soit le même taux de croissance que l'an dernier.

À notre entrée en fonction en 1999, l'une de nos premières tâches a été d'élaborer un plan général pour s'attaquer à l'obligation découlant des régimes de retraite, une obligation que l'on avait laissé croître, non capitalisée, pendant quarante ans. Nous avons établi le premier plan pour s'attaquer à cette obligation majeure. Monsieur le Président, je suis heureux d'annoncer que le Budget 2006 prévoit l'affectation de 110 millions de dollars au remboursement de la dette générale et à la réduction de l'obligation découlant des régimes de retraite, ce qui porte notre contribution totale à ce chapitre à 704 millions de dollars.

## Conclusion

Avec le Budget 2006, nous respectons nos engagements de prendre des mesures pour répondre aux priorités des Manitobains et Manitobaines et de créer de nouvelles possibilités pour aujourd'hui et pour l'avenir.

Les mesures que nous présentons aujourd'hui permettront :

- d'accroître les investissements dans l'éducation à tous les niveaux;
- d'améliorer les soins de santé pour toute la population du Manitoba;
- d'investir dans des infrastructures clés pour les routes, l'eau et le drainage, les soins de santé et l'éducation;
- de fournir un soutien essentiel aux enfants, aux familles et aux collectivités;
- de rendre le régime fiscal plus abordable pour les familles et plus concurrentiel pour les entreprises.

Et nous accomplirons tout cela avec un budget sommaire excédentaire et un solde positif du fonds de fonctionnement.

Les Manitobains et Manitobaines peuvent être fiers de leur province. Nous avons tant accompli et nous pouvons aller encore plus loin. Nous sommes fiers de présenter le Budget 2006 à la population de notre province.

# MANITOBA BUDGET

## BUDGET PAPERS

## 06

MEETING COMMITMENTS. BUILDING OPPORTUNITIES.

Manitoba

# The 2006 Manitoba Budget

## Budget Papers

The Honourable Gregory F. Selinger
Minister of Finance
March 6, 2006

This document is
available on the Internet at:
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Other information available at this site includes:
The 2006 Manitoba Budget Address
2006 Estimates of Expenditure
2006 Estimates of Revenue
the latest Quarterly Financial Report and
Manitoba Economic Highlights.

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# THE 2006 MANITOBA BUDGET

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BUDGET PAPER F – Community Economic Development
BUDGET PAPER G – Modernizing Government

Also available in English and in French:
The 2006 Manitoba Budget Address

The Manitoba Advantage, Community Economic Development, and Modernizing Government
are also available in French on the Internet at:
http://www.gov.mb.ca/finance

Manitoba

## Budget Paper A

# THE ECONOMY

# THE ECONOMY

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## CANADIAN ECONOMY

The Canadian economy grew 2.9% in 2005, the same rate as in 2004 (see Chart 1). Nominal GDP increased by 6.1%.

Although the economy continued its solid performance, growth was constrained by the appreciating Canadian currency relative to the United States dollar. While the Canadian dollar slipped in value against its U.S. counterpart through the first five months of 2005, it appreciated significantly through the latter half of the year. Overall, the Canadian dollar averaged US$0.825 in 2005, an increase of 7.4% from the 2004 average of US$0.768. The strong performance of the Canadian currency has continued into 2006, with the average exchange rate for February 2006 at US$0.870 (see Chart 2). In early March, the dollar closed at $0.8839, the highest close since December 1991.

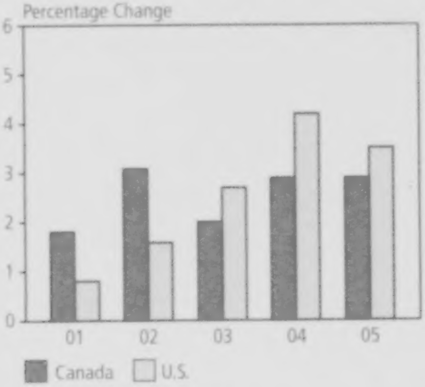
The higher-valued Canadian dollar has intensified competitive pressure on Canadian firms as U.S. goods and services entering Canada become cheaper relative to domestically produced goods and services. Likewise, with a higher Canadian dollar, Canadian goods and services cost more in the U.S. market. Canada and the U.S. are each others' largest trading partner. Canadian exports to the U.S. account for 80% of Canada's merchandise exports and U.S. exports to Canada account for 25% of U.S. foreign exports.

There is reason to believe that many Canadian industries have made significant progress in adapting to the new exchange rate levels as export volumes have improved in the latter half of 2005 after stagnating through 2004 and the first half of 2005. However, it is too early to tell whether the rebound in exports will continue.

While the stronger dollar acted as a drag on Canadian economic growth last year, Canadian producers of primary products continued to enjoy strong market conditions. Helped by robust demand from China,

Chart 1

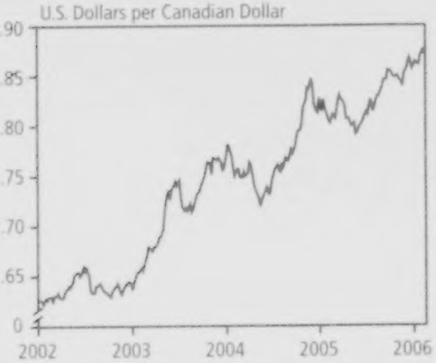
**Real Gross Domestic Product At Market Prices**



Sources: Statistics Canada
U.S. Department of Commerce

Chart 2

**Canada-U.S. Exchange Rate**



Source: Bank of Canada

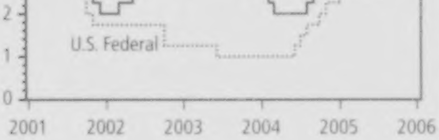
recent prices for many base metals and other resource products came close to, or have surpassed, previous records.

*One of the principal developments for world economies last year was the significant jump in energy prices. Oil prices rose by a third over the course of 2005, while natural gas prices more than doubled.*

One of the principal developments for world economies last year was the significant jump in energy prices. Oil prices rose by a third over the course of 2005, while natural gas prices more than doubled. These increases in energy prices pushed up the energy component of the Consumer Price Index (CPI), by 9.7% in 2005. This follows an increase of 6.8% in 2004. However, the 2005 rise in core CPI (excluding food and energy) remained relatively modest at 1.4%. This suggests that energy price increases are not yet being passed broadly through to core inflation. Forecasters believe that consumer price inflation will continue to remain moderate and below the mid-point of the Bank of Canada's 1% to 3% inflation target range for the next two years.

Chart 3

**Canada and U.S. Interest Rates**



Source: Bank of Canada

In the Bank of Canada's view, however, the Canadian economy is operating at or near its capacity, which could lead to inflationary pressure in the near future. This risk was magnified with the significant increases in energy prices. Therefore, in spite of the relatively low core inflation, the Bank of Canada continued to notch up interest rates in 2005. After holding rates constant through the first eight months of 2005, the Bank instituted four consecutive quarter-per cent increases in the overnight target rate between September 2005 and January 2006.

As well, the Federal Reserve in the United States continued to implement rate increases, extending the string of consecutive quarter-per-cent hikes to 14. In doing so, the Federal Reserve boosted the Federal Funds rate from 2.25% at the beginning of 2005 to 4.25% at the end of 2005. A further 25 basis point increase was implemented on January 31, 2006 (see Chart 3).

Canada's employment grew 1.4% in 2005, down from 1.8% posted in 2004. Full-time employment increased 1.6%. The public sector job creation performance was significantly stronger than the private sector, with public employment increasing 2.6% while private employment grew 1.1%, the lowest annual increase in private sector jobs since 1993. This result reflects, in part, the continued weak performance of Canada's manufacturing employment; manufacturing posted a 3.7% decline in jobs last year, the weakest result since 1992. Manufacturing employment declined by over 100,000 jobs over the course of 2005.

While employment growth moderated last year, the low rate of labour force growth contributed to a tight labour market. Canada's labour force increased 0.9%, the lowest increase since 1995. The weaker labour force growth contributed to a decline in the unemployment rate, with unemployment averaging 6.8%, the lowest annual rate in over 30 years.

Private economic forecasters, surveyed by Manitoba Finance, project an average employment growth of 1.5% in 2006 and 1.3% in 2007. Similarly, the national unemployment rate will continue to improve, declining to 6.5% in 2006 and rising marginally to 6.6% in 2007. The Canadian labour market is expected to continue to be tight for the next two years.

Manitoba Finance's survey projects that Canada's real GDP will increase by 3.0% in 2006 and 2.8% in 2007, in line with the 2.9% increase recorded in 2005, reflecting a pattern of consistent long-term growth. Nominal GDP is expected to grow in 2006 and 2007 by 5.5% and 4.3%, respectively.

Considerable risks remain for the Canadian economy in 2006, including adverse economic consequences of a further appreciation of the Canadian currency, the evolution of oil prices and possible changes to the pace of expansion in the economies of the U.S. and China.

## Canada Forecast Summary, 2006 and 2007

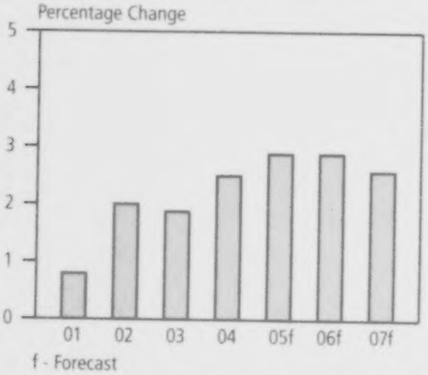
| | Percentage Change | |
|---|---|---|
| | 2006 | 2007 |
| Gross Domestic Product | 5.5 | 4.3 |
| Real Gross Domestic Product | 3.0 | 2.8 |
| Consumer Price Index | 2.0 | 1.8 |
| Employment | 1.5 | 1.3 |
| Unemployment Rate (%) | 6.5 | 6.6 |

Source: Manitoba Finance, survey of economic forecasters

> **"[Canadian] Domestic demand is forecast to remain strong in 2006 as real wage gains and better job growth keep consumer confidence elevated."**
>
> **Conference Board of Canada**
> **Winter Provincial Forecast**
> **February 2006**

Chart 4

### Manitoba Real Gross Domestic Product

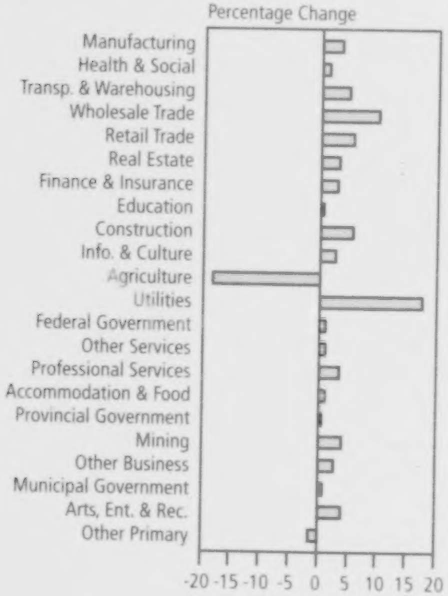


f - Forecast

Sources: 2001-2005: Manitoba Bureau of Statistics
2006-2007: Manitoba Finance, survey of economic forecasters

Chart 5

### Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2005p



p - Projected

Note: ranked by size in descending order

Source: Manitoba Bureau of Statistics

## MANITOBA ECONOMY

According to the Manitoba Bureau of Statistics, Manitoba's projected real economic growth improved in 2005 to 2.9%, up from 2.5% growth reported in 2004 (see Chart 4). Last year's performance was the strongest since 2000 and well above the five-year average growth estimated at 2.3%. The Canadian economy grew by 2.9% in 2005, equal to the provincial growth rate. Manitoba's projected nominal GDP advanced 5.1% in 2005 to a record $42.0 billion, an increase of $2.0 billion over the previous year.

Economic activity in 2005 was characterized by strong growth in consumer spending and modest increases in both business investments and government spending. Increases in these categories propelled real domestic expenditures by 4.0%, the highest annual increase since 1997.

External trade remained firm in 2005 with real exports advancing 4.1% following a 4.6% gain in 2004. With increased consumer and business spending, imports increased by 6.3%.

Goods-producing industries led the Manitoba economy last year (see Chart 5). In the utilities sector, Manitoba Hydro capitalized on higher water flows in the Hudson Bay drainage area, which restored hydro generating capacity, leading to increased electricity generation and record export sales. Contrary to the national trend, manufacturing continued to expand in 2005, despite the currency appreciation and higher interest rates. Growth was primarily driven by a 15.4% increase in shipments of fabricated metal products and by a 14.5% increase in shipments of electrical and electronic equipment.

In construction, a number of major capital projects were started in 2005, including the Red River Floodway Expansion Project, the Winnipeg Airports Authority's airport site redevelopment, and Manitoba Hydro's downtown office tower. Residential construction activity continued to accelerate as the number of housing starts increased by 6.6%

## Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2004 and 2005p

(Millions of Chained 1997 Dollars)

| | 2004 | 2005p | Percentage Change |
|---|---|---|---|
| **Goods** | **8,657** | **8,797** | **1.6** |
| Agriculture | 1,453 | 1,186 | -18.4 |
| Mining | 563 | 585 | 3.9 |
| Other Primary | 84 | 83 | -1.6 |
| Manufacturing | 4,144 | 4,284 | 3.4 |
| Construction | 1,470 | 1,551 | 5.5 |
| Utilities | 943 | 1,108 | 17.5 |
| **Services** | **23,961** | **24,751** | **3.3** |
| Transportation & Warehousing | 2,226 | 2,336 | 4.9 |
| Information & Culture | 1,293 | 1,327 | 2.7 |
| Wholesale Trade | 2,097 | 2,305 | 9.9 |
| Retail Trade | 2,116 | 2,235 | 5.6 |
| Finance & Insurance | 1,703 | 1,752 | 2.9 |
| Real Estate | 1,831 | 1,890 | 3.2 |
| Imputed Rent | 2,893 | 2,964 | 2.4 |
| Professional Services | 850 | 880 | 3.5 |
| Other Business Services | 542 | 556 | 2.7 |
| Federal Government | 982 | 991 | 1.0 |
| Provincial Government | 744 | 748 | 0.5 |
| Municipal Government | 549 | 553 | 0.8 |
| Education | 1,612 | 1,623 | 0.6 |
| Health & Social Services | 2,423 | 2,460 | 1.5 |
| Arts, Entertainment & Recreational Services | 367 | 381 | 3.9 |
| Accommodation & Food | 820 | 828 | 1.0 |
| Other Services | 913 | 922 | 1.0 |
| **Real GDP at Basic Prices** | **31,617** | **33,551** | **2.9** |

p – Projected
Source: Manitoba Bureau of Statistics
Totals may not add up due to rounding and chained

to 4,731 units. This is the third consecutive year in which starts exceeded 4,000 units and the fifth consecutive year of growth in total starts. Multiple housing starts - which include apartments, duplexes and row housing - increased in 2005 to 1,022 units, up from 956 units in 2004 and the second-highest number of units started in 15 years.

*The first full year of operations of one of North America's busiest entertainment complexes, the MTS Centre, boosted activity in arts, entertainment and recreation.*

**"Manitoba is well positioned to capitalize on western Canada's robust expansion."**

**CIBC World Markets**
**Provincial Forecast**
**February 2006**

Manitoba's agriculture sector is relatively well-balanced between livestock and crop production. The performance of these two sectors over the last year was mixed. Activity in the livestock industries, especially cattle shipments, increased with the re-opening of the U.S. border. Crop producers in the province faced major challenges as weather conditions were extremely adverse throughout the growing season. Many crop producers rated the 2005 season as their worst year ever because of the combination of poor yields, drowned-out crops, depressed commodity prices and increased input costs.

Increased global demand and record, or near record, high prices for base metals, precious metals and crude oil have had a positive impact on Manitoba's mining industry. Sustained high prices have renewed interest in exploration activity and spurred new developments and expansion plans for existing facilities throughout Manitoba.

On the services side of the economy several sectors experienced firm growth. The first full year of operations of one of North America's busiest entertainment complexes, the MTS Centre, boosted activity in arts, entertainment and recreation. Continued strength in the housing market helped maintain growth in finance, insurance and real estate. The currency appreciation, which led to increased imports, has had a positive impact for the province's, wholesale and retail trade. The increased volume of trade flowing in and out of Manitoba stimulated the transportation and communication sector, despite the higher energy costs. The resumption of live cattle shipments to the U.S. further stimulated activity in transportation.

Manitoba's Consumer Price Index advanced 2.7% in 2005, up from 2.0% in 2004. Consumer prices rose sharply in the first nine months of 2005, and fell in the last three months of the year. During the first nine months, increases in energy prices drove consumer prices up. During the last three months, the combined effects of increased global production and a high Canadian dollar lowered prices of imported goods, causing the CPI to fall. With the fall in prices in the latter part of the year, the year-over-year inflation rate in December 2005 was only 1.3%.

Manitoba's October 1st, 2005 population estimate was 1,178,109, up 0.4% or 4,751 persons from 2004. The largest contributor to the population increase was international migration, which increased by a net 6,791 persons. Natural increase in population (births less deaths) contributed a net 3,935 persons, while the movement of non-permanent residents and Canadian citizens traveling abroad added 740 persons. Total net interprovincial migration contributed to the remaining net change in Manitoba's population.

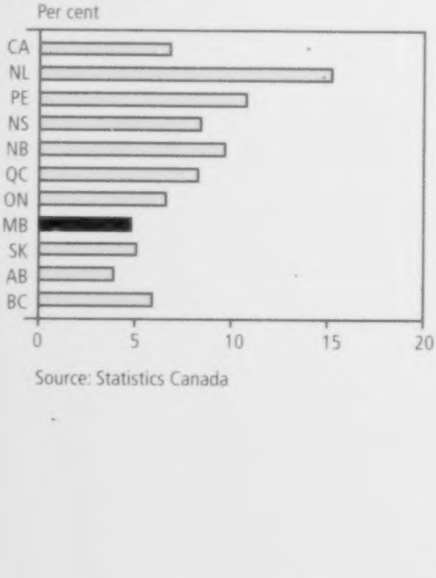
Last year, a record 580,300 workers were employed in Manitoba, an increase of 3,700 workers from 2004. The unemployment rate dropped to 4.8%, the lowest annual rate since 1976 and the second-lowest among provinces (see Chart 6). Manitoba has had the lowest or the second-lowest unemployment rate in Canada in the last five years. The province's labour force participation rate and the employment rate remained at near record-high levels in 2005. This suggests that there are more and more Manitobans seeking work and finding it.

Reflecting positive developments in the labour market, Manitoba has maintained strong growth in employment income. Labour incomes from wages and salaries rose by 4.4% in 2005 to almost $21.0 billion, and average weekly earnings increased by 3.5% in 2005 following a 4.0% gain in the previous year. Manitoba's average weekly earnings growth in 2005 was ranked fifth-highest among provinces while the growth in 2004 was the highest in Canada.

High commodity prices for resources and robust activity in wholesale and retail trade helped lift corporate profits by 11.9% in 2005, the third consecutive year of double-digit growth. Since 1999, corporate profits have increased by almost 84% in

Chart 6

### Unemployment Rate By Province, 2005



Source: Statistics Canada

Manitoba. In the last three years, the province has continued to set new records for profits as a share of GDP. In 2003, corporate profits accounted for 9.6% of GDP, surpassing the previous high set in 1981 at 9.2%. In both 2004 and 2005, the share of corporate profits to the Manitoba economy increased further to 10.6% and 11.3%, respectively.

The strong growth in labour and corporate income is being reflected in high consumer and business confidence in the Manitoba economy.

*Since 1999, corporate profits have increased by almost 84% in Manitoba.*

## Manufacturing

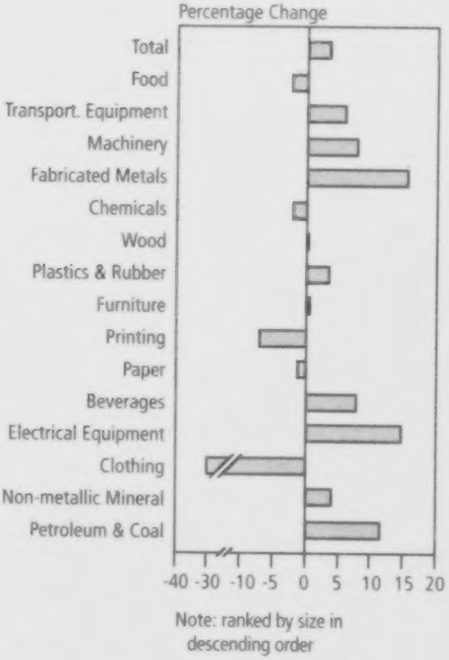
Manufacturing plays a key role in the Manitoba economy. Manufacturing output accounts for 12.8% of Manitoba's real GDP. Exports of manufactured goods contribute approximately 56% of total exports from the province and about 70% of those are destined for the United States. In 2005, the manufacturing sector employed 68,500 people, accounting for 11.8% of total provincial employment.

Manitoba's manufacturing sector is highly diversified, producing a variety of industrial and commercial goods including urban and intercity buses, aerospace equipment, chemicals and fertilizer, machinery, pharmaceuticals, processed meats, processed vegetables, furniture, apparel, newsprint, plastic products, windows and fabricated metals. Diversification provides stability within the sector especially during challenging economic conditions. It also provides opportunities to develop new products and to expand into new markets domestically and globally.

Despite the strong currency appreciation, Manitoba's manufacturing sector has continued to expand and has outperformed the national average in each of the last three years. In 2005, Manitoba's shipments of manufactured goods increased by 3.5% to a record $13.0 billion, following a 10.1% gain in 2004 (see Chart 7).

Chart 7

**Manitoba Manufacturing Shipments by Industry, 2005**



Note: ranked by size in descending order

Source: Statistics Canada

In 2005, the seasonally adjusted value of monthly shipments of Manitoba manufacturers was consistently over $1 billion. In July 2005, the province set a new monthly record in shipments of $1.12 billion, surpassing the previous record of $1.11 billion set in April 2005.

The strength in the sector was relatively broad-based with 10 of the 15 industry categories reporting increases in shipments. The North American construction boom contributed to a 15.4% increase in shipments from fabricated metals producers, as well as a 14.5% increase in shipments from electrical equipment and appliance manufacturers. Machinery equipment sales, which include agricultural implements, were up 7.7%.

With firm orders for transit buses coupled with an improving aerospace sector, Manitoba's transportation equipment sales were up 6.0% in 2005. Competition from off-shore suppliers and the strengthening Canadian currency led to a 30.2% drop in clothing shipments and a 7.1% reduction in printing and related support activities.

In terms of total value, the top five export categories in the manufacturing sector are: food and beverage products, transportation equipment, machinery and equipment, primary metals, and chemicals and pharmaceuticals.

## Agriculture

Manitoba's agriculture sector is evenly balanced between livestock and crop production. Since 2001, the cash receipts from livestock operations has averaged $1.64 billion, while from crop operations it averaged $1.70 billion (see Chart 8).

The performance of agriculture in 2005 was mixed. Livestock production increased with the limited opening of the U.S. border for live cattle exports. Crop production faced major challenges as adverse weather conditions prevailed throughout the growing season.

## Top Five Manufacturing Exports by Industry

Five Year Average

**International Exports**

1. Transportation equipment
2. Machinery & equipment
3. Primary metal products
4. Food & beverage products
5. Chemicals & pharmaceuticals

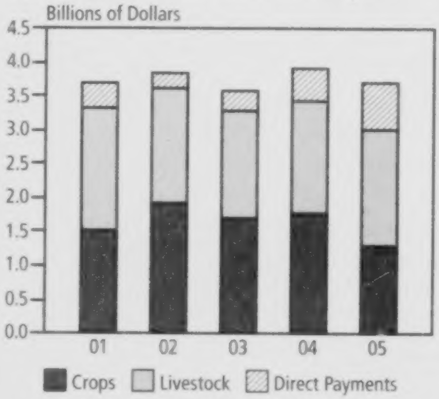
**Interprovincial Exports**

1. Food & beverage products
2. Printing & publishing
3. Machinery & equipment
4. Primary metal products
5. Transportation equipment

Source: Manitoba Bureau of Statistics

Chart 8

### Manitoba Farm Cash Receipts

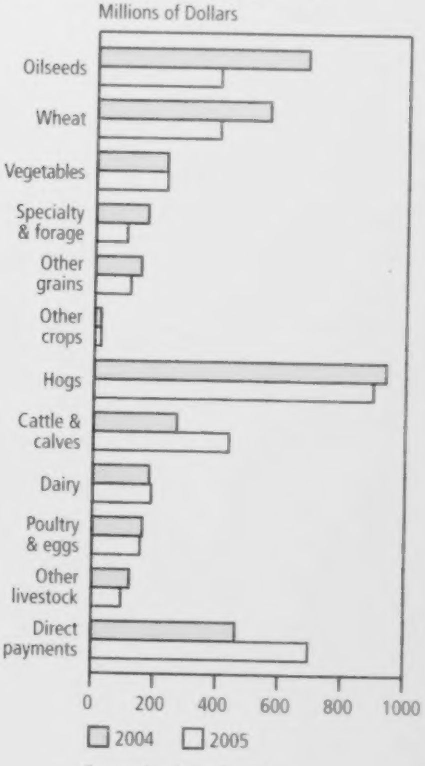


Source: Statistics Canada

*After a 26-month complete closure, the U.S. border re-opened to Canadian live cattle shipments in July 2005.*

Chart 9

**Manitoba Farm Cash Receipts by Product, 2004 and 2005**



Source: Statistics Canada

After a 26-month complete closure, the U.S. borde re-opened to Canadian live cattle shipments in Jul 2005. U.S. imports are limited to live cattle unde 30 months old and imported animals are subject t increased testing. Since the opening of the U.S. border, preliminary data indicate that fed-cattle exports are in the process of recovering. Exporters have encountere several challenges, including the higher Canadian dollar, transportation bottlenecks and higher fuel costs.

In mid-December 2005, the Government of Japan decided to re-open its border to beef from Canada. The border opening date is pending the completion of risk assessments and final administrative procedures. The Japanese market will also be limited to beef from cattle verified to be less than 21 months of age.

The U.S. border opening has had a positive impact on Manitoba producers, as it has not only expanded the market but also increased cattle prices. For 2005, farm cash receipts from cattle and calf production are up 64% (see Chart 9), reversing the sharp two-year declines of 39% and 22% in 2003 and 2004, respectively.

Hog production in Manitoba increased slightly in 2005 following strong growth in 2004. Exports of weanlings increased last year, as did domestic slaughter production. Hog production capacity continues to increase as new sow barns and feeder barns are built in the province. The addition of feeder barns bodes well for generating higher-value sales with greater domestic pork processing in the province. Due to excess supply of pork in the North American market, pork prices decreased last year. With increased production but lower prices, farm cash receipts for pork sales decreased by 4% in 2005, down from the 22% increase of 2004.

The Manitoba hog industry has become the single most dominant source of revenue in the province's agriculture sector. Since 2000, cash receipts from hogs exceeded any other commodity including wheat, which is now second. Receipts from hogs account for almost a quarter of total farm cash receipts (see Chart 10).

Southern Manitoba experienced the wettest June and the second-wettest July on record with rainfall amounts in excess of 200% to 400% above average in various areas. Excessive moisture conditions hampered seeding activity at the start of the season and drowned a significant portion of the seeded area through mid-season. After the rains stopped, the growing season was plagued by the onset of drought conditions which affected some of the later-seeded crops.

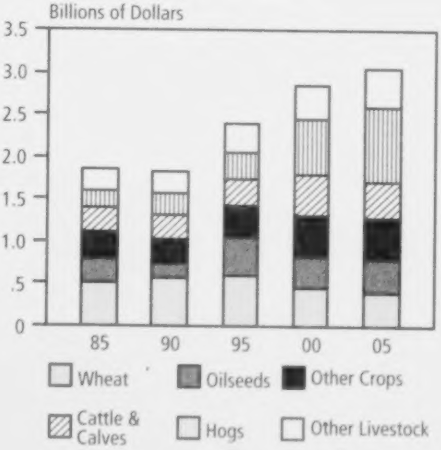
Many crop producers in the province rated the 2005 season as their worst year ever because of the combination of poor yields, drowned-out crops, depressed commodity prices and increased input costs. Due to the poor weather conditions, the quantity and quality of many grains and oilseeds in Manitoba were significantly lower compared to the 2004 season. Wheat yields decreased by 37%, while barley yields were down 50%. Canola production decreased by 29% and rye decreased by 56%. A limited number of secondary crops recorded increases in production, including flax, corn, sunflower seed, beans and buckwheat.

With the combination of lower prices, yields and quality, overall crop receipts declined 28% in 2005 after a 4% gain in 2004. Receipts from wheat and barley decreased by 29% and 40%, respectively. Receipts from canola were down 41%.

A key factor that provided a stabilizing influence, and buoyed agricultural receipts in 2005, was non-market support payments to producers, which increased by 51%. Due to poor crop conditions and the U.S. border closure for cattle shipments, direct payments to Manitoba producers have risen sharply in the last three years from $219 million in 2002 to $694 million in 2005. Major income categories of stabilization programs for Manitoba farmers include: Canadian Agricultural Income Stabilization Program, Income Disaster Assistance Program, Provincial Stabilization Programs, and Manitoba Crop Insurance.

Chart 10

### Manitoba Market Receipts by Commodity

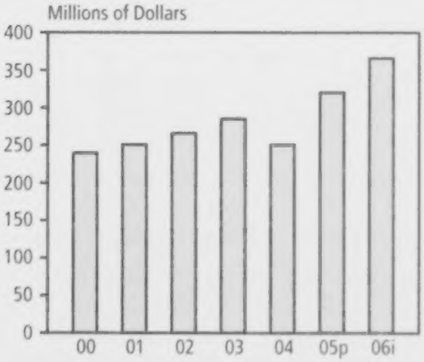


Source: Statistics Canada

*With the combination of lower prices, yields and quality, overall crop receipts declined 28% in 2005 after a 4% gain in 2004.*

Chart 11

**Manitoba Mining Investment**



p - Preliminary i - Intentions

Source: Statistics Canada

*There are nearly 1,900 producing wells in the province, generating approximately 4.7 million barrels of oil.*

## Minerals

Mining is the second-largest primary resource industry in the province. Mining output directly accounts for 1.7% of the output in Manitoba's economy. The industry employed approximately 4,600 workers in 2005, a 2.2% increase from 2004. Average weekly earnings in mining are over $1,170, the highest among industries in the province.

The principal mineral commodities produced in Manitoba are nickel, oil, zinc, copper, gold, tantalum and cesium. The major mining centers are Flin Flon, Thompson and the southwest corner of the province which has emerged as the province's "oil patch."

Strong global demand coupled with record-high prices for base metals, precious metals and crude oil have boosted Manitoba's mining industry. Sustained high prices for these commodities have renewed significant interest in exploration activity and spurred new developments and expansion plans for existing facilities throughout Manitoba.

Mineral exploration investments in 2005 are estimated at $53 million. This represents a 47% increase in expenditures from the $36 million spent in 2004. The total land area under mineral exploration is estimated to have increased by over 67%, while surface exploration for diamond drilling is expected to have increased by over 37% in 2005.

Petroleum exploration is also rapidly expanding in the southwest corner of the province. The number of oil wells drilled increased by 139% from 119 wells in 2004 to 285 in 2005. The number of drilling licenses issued more than doubled from 137 in 2004 to 384 in 2005. The data for January 2006 indicate a continued record-setting pace in Manitoba's petroleum sector in the current year.

The petroleum industry spent approximately $190 million in 2005 and provided employment for about 400 people. There are nearly 1,900 producing wells in the province, generating approximately 4.7 million barrels of oil.

Several new mining developments have been announced by the major mining companies in Manitoba. Inco Limited reported a significant boost to its capital spending budget, which includes a $45 million investment in a new mine at the north end of its existing Thompson facility. Construction will begin in 2006 with first production scheduled for 2008. In preparation for processing nickel concentrate from Voisey's Bay in 2006, Inco will spend $100 million to rebuild the main smelter in Thompson. Hudbay Minerals (formerly Hudson Bay Mining and Smelting) announced a $10 million exploration budget for their large Manitoba and Saskatchewan properties.

The overall value of mineral production stabilized in 2005, increasing 1.9%, after increasing at an extraordinary rate of 44.2% in 2004. The value of nickel and gold production decreased in 2005, while zinc and copper value increased.

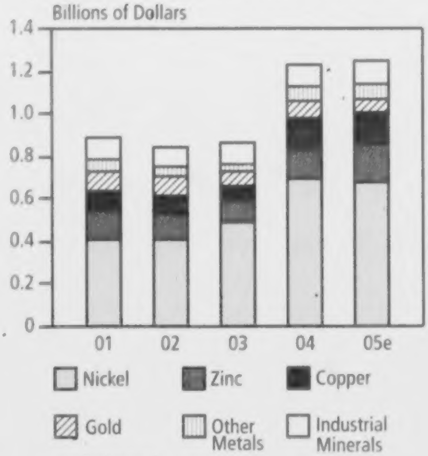
After increasing by 22.2% and 38.2% in 2003 and 2004, respectively (see Chart 12), the value of nickel production in Manitoba retreated slightly, down 0.6% in 2005. Several factors contributed to the pause in the value of nickel production. The price of nickel declined slightly after almost doubling since 2001. Production declined at the Thompson Inco mine due to an annual summer maintenance shutdown lasting longer than usual.

Copper prices increased by 19.6% in 2005, while the volume produced decreased by 10.1% in Manitoba. As a result, the value of copper produced in Manitoba increased by 7.6% in 2005, up further from the 110.4% gain reported in 2004. With a 4.5% increase in volume and a 22.6% increase in price, the value of zinc production in the province increased by 28.0% in 2005.

The suspension of the mining operations at the New Britannia gold mine in September 2004 is now being reflected in the value of gold production. Manitoba's value of gold production decreased by 33.6% in 2005, despite an increase in price.

Chart 12

**Manitoba Mineral Production**

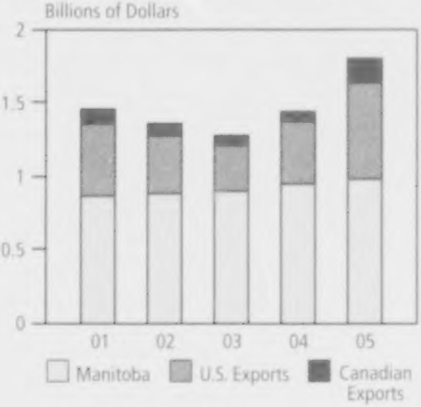


e - Estimated

Source: Natural Resources Canada

Chart 13

**Manitoba Hydro-Electricity Sales**



Source: Manitoba Hydro

## Hydro-Electricity

Manitoba Hydro is Manitoba's largest utility and accounts for virtually all electricity generation, transmission and distribution in the province. Almost all of Manitoba Hydro's electricity is produced by water, a renewable source of energy. Currently, Manitoba Hydro has a generating capability of more than 5,000 MW, with a further 5,000 MW of underdeveloped potential resource.

Electricity sales rebounded last year following two years of significant declines associated with the effects of low water flows on generating capacity. In 2005, average precipitation in the Hudson Bay drainage basin provided higher water flows for hydraulic generation. Consequently, the value of Manitoba Hydro's sales increased 25.3% in calendar year 2005 to $1.8 billion – a historical high (see Chart 13). The increase in sales was primarily in export markets and was largely due to the increased generation coupled with strong U.S. demand for power.

The value of Manitoba's in-province electricity sales, which account for 55% of the total, increased 3.5% in 2005. The value of electricity export sales, which account for the remainder, increased by 68% last year. The total value of U.S. exports rose 53%. The U.S. is a key market for Manitoba's electricity exports and accounts for about 80% of total out-of-province sales.

In 2005, Manitoba and Ontario agreed to a major upgrade in the transmission capacity between the two provinces. The existing 200 MW transmission line connecting the two provinces will be upgraded to 400 MW by 2009.

Manitoba Hydro is currently working closely with northern Aboriginal communities to develop new generating facilities. There are two new facilities under active consideration. The first is the proposed Wuskwatim generating station that would be built on the Burntwood River in Northern Manitoba. This station would generate 200 MW of power, with the earliest in-service date being 2012. A referendum on the project by the Nisichawayasihk Cree First Nation is pending.

The second facility is the Gull (Keeyask) generating facility to be constructed on the Nelson River near Gillam. The Gull station would produce about 620 MW of power. Both generating stations in Northern Manitoba would require the construction of a transmission line to deliver power to Southern Manitoba which connects to the Northwest U.S. electricity power grid. The combined cost of these two generating projects is approximately $4 billion.

Another option under active consideration is the development of the Conawapa site. This 1,250 MW generating facility project would be similar in magnitude to Manitoba's Limestone facility, currently the largest single generating station in the province. This project would assist in meeting the needs of out-of-province customers who would contract for the delivery of power from Manitoba Hydro.

In December 2004, construction began on a new 99 MW wind energy project near St. Leon. The $210 million project will take advantage of Manitoba's world-class wind energy capabilities and was facilitated by a 20-year power purchase agreement with Manitoba Hydro. At the completion of the project in early 2006, 63 new wind turbine generators will be installed at what will become one of Canada's largest wind farms.

Large-scale wind power is one of the most competitive forms of renewable energy. The provincial government and Manitoba Hydro are committed to further harvest Manitoba's potential for clean, affordable energy with plans to develop up to 1,000 MW of wind power over the next 10 years. Manitoba is well positioned to be a global leader in wind generation.

Manitoba Hydro continues to strengthen its position as a leader among Canadian utilities in voluntarily reducing greenhouse gas emissions. The wind energy project in St. Leon has the potential to displace

## Manitoba Hydro Generating Stations

| Station | River | MW |
|---|---|---|
| Limestone | Nelson | 1,340 |
| Kettle | Nelson | 1,220 |
| Long Spruce | Nelson | 1,010 |
| Grand Rapids | Saskatchewan | 479 |
| Kelsey | Nelson | 223 |
| Seven Sisters | Winnipeg | 165 |
| Great Falls | Winnipeg | 133 |
| Jenpeg | Nelson | 131 |
| Pine Falls | Winnipeg | 88 |
| Pointe du Bois | Winnipeg | 78 |
| Slave Falls | Winnipeg | 67 |
| McArthur Falls | Winnipeg | 55 |
| Laurie River I & II | Laurie | 10 |
| Hydraulic Capacity | | 4,999 |
| Thermal Stations | | 471 |
| Total System | | 5,470 |

Source: Manitoba Hydro

> "Extensive watersheds provide Manitoba with low-cost, renewable, and reliable hydro-electric power. As a result, Manitoba has among the lowest electricity rates in North America."
>
> Dominion Bond Rating Service
> Credit Rating Report
> May 2005

400,000 tonnes of $CO_2$ emissions from the thermal coal plants. Looking to the future, there will be further opportunities to allow Manitoba Hydro to play an increasingly important role in meeting more of North America's electrical energy needs through environmentally desirable hydro-electric resources and clean renewable wind power. In so doing, it will contribute to the reduction of global greenhouse gas emissions.

## Housing

The Manitoba housing industry reported another solid performance in 2005. Good population growth combined with low interest rates and growing personal incomes proved to be ideal economic conditions for stimulating both new home construction and resale activity throughout the province.

Manitoba's demographic profile shows two distinct groups of individuals, the "baby boom" generation and the "echo boom" generation. Given this profile, the current housing demand is driven by the move-up market ("baby-boom") and the first-time home buyers or renters ("echo boom").

Driven by strong demand, new housing construction activity continued to accelerate last year as the province reported a total of 4,731 new housing units started (see Chart 14). This is the third consecutive year in which starts exceeded 4,000 units and the fifth consecutive year of growth in the annual number of starts.

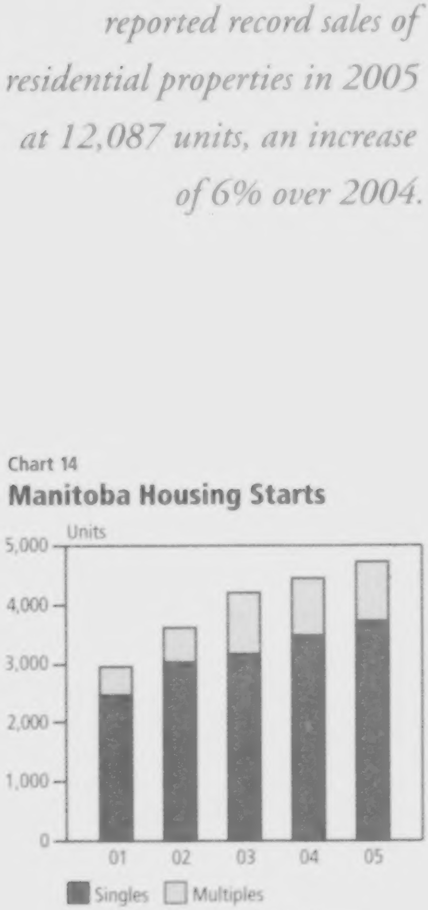
Multiple dwelling starts, which include apartments, duplexes and townhouses, increased in 2005 to 1,022 units, up from 956 units in 2004 and the second-highest number of units over the last 15 years, behind only 2003.

Repair and renovation activity continued to increase last year, however, the pace of growth slowed considerably from the previous year because of higher costs for building material and labour.

*Winnipeg Real Estate Board reported record sales of residential properties in 2005 at 12,087 units, an increase of 6% over 2004.*

Chart 14

**Manitoba Housing Starts**



Source: Canada Mortgage and Housing Corporation

The housing outlook for 2006 and 2007 calls for continued growth in the sector. Canada Mortgage and Housing Corporation (CMHC) predicts Manitoba will be one of only two provinces in Canada to record an increase in housing starts this year. CMHC is projecting at least 4,800 housing starts in 2006 and 5,000 starts in 2007. Residential average resale price is expected to increase by 8% in 2006 and by 7% in 2007.

Winnipeg Real Estate Board reported record sales of residential properties in 2005 at 12,087 units, an increase of 6% over 2004. The dollar value of property transactions was up 21%, to a record $1.62 billion in 2005. A key factor in this increase was the shift in preference to higher-valued homes. The average price of a residential property was $133,854 in 2005, up from $119,245 in the previous year. Property values in Manitoba have increased by almost 40% since 2002, an average annual increase of almost 12% (see Chart 15).

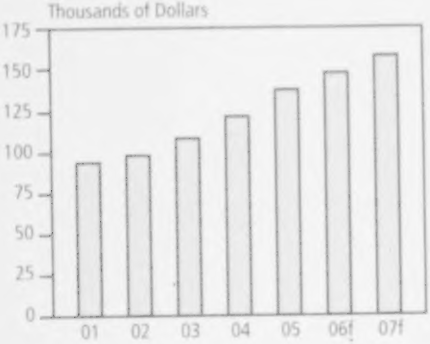
Despite increases in property values in Manitoba, the province's housing costs remain affordable. In a recent study, the Royal Bank of Canada concluded that housing in Manitoba has remained among the most affordable in the country, even as Manitoba posted the highest increase in house prices in several categories used in the analysis. The study ranked Manitoba favourably in all four categories. Manitoba ranked third for the detached bungalow category and second-most affordable in standard, two-storey houses. For the standard townhouse and standard condominium categories, Manitoba ranked as the most affordable jurisdiction in Canada.

## Retail Trade

Manitoba's retail sales rose 6.4% in 2005, above the national average of 6.1% and third-highest among provinces (see Chart 16). Over the past two years, retail sales have increased 13.6%, reflecting Manitoba's good labour market conditions, low interest rates, rising personal incomes and positive consumer confidence.

Chart 15

### Manitoba Average Residential Resale Price

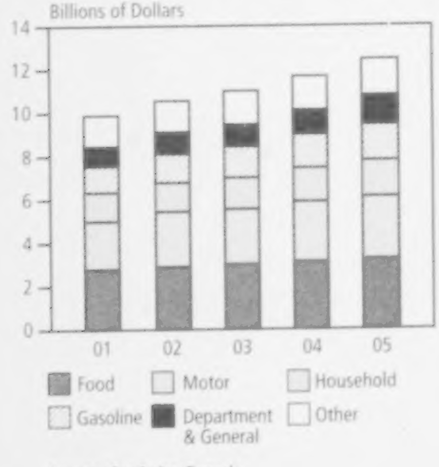


f - Forecast

Source: Canada Mortgage and Housing Corporation

Chart 16

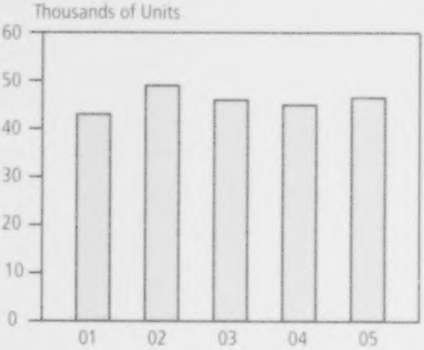
### Manitoba Retail Trade by Type



Source: Statistics Canada

Chart 17

**Manitoba Motor Vehicle Sales**



Source: Statistics Canada

The continuing strong performance of Manitoba's housing market was also a significant factor in directly boosting retail sales. Increased activity in the new and resale housing market promoted strong increases in sales of household supplies. In 2005, sales for hardware, gardening and building supplies stores in the province were up 16.6%, while home furnishing stores sales increased 9.8%.

Automotive sales remained brisk in 2005. The value of new car sales increased by 3.7%, while sales of recreational vehicles, used motor vehicles and parts increased 21.0%. After two consecutive years of decline, the number of new motor vehicles sold rebounded 2.6% in 2005 (see Chart 17). Of the 46,503 vehicles sold in Manitoba last year, growth was primarily related to trucks, minivans and SUVs at 3.8%. Passenger car sales rose 1.1%.

High gas prices also boosted retail sales as the value of gasoline sold increased by 17.3%. The largest decline in retail sales came from convenience and specialty food stores (6.9%), which accounted for 1.3% of total retail sales in 2005.

In addition to rising personal income, the rapidly increasing residential property prices in the province are contributing to increased consumer spending. As property values have risen, the perceived future return from the sale of property also increased, thereby reducing the immediate need to save out of current income for retirement or other future financial obligations. Appreciation of property values can also be used for personal loan guarantees and for lowering interest rates on lines of credit. The "wealth effect" of appreciating real estate is more significant than for other types of investments, such as stocks or fixed income securities. People spend more per dollar of appreciation in housing prices compared to gains from equities or bonds. The "wealth effect" coupled with historical low interest rates have been cited by many market analysts as the main driving force behind the surge in consumer spending in North America.

With CMHC projecting further property value appreciation in 2006 and in 2007, the effect of the housing market on retail sales is expected to remain strong in the near term.

## Tourism

Manitoba's tourism industry has been relatively stable for the past four years. Preliminary indicators suggest that, while the number of tourists from the U.S. was down in 2005, domestic and overseas travel to Manitoba was up.

The currency appreciation, rising fuel costs and weather conditions have negatively affected travel from the U.S. to Canada. All provinces in Canada experienced a decline in numbers of overnight visits from the U.S., except P.E.I. The number of direct entries from the U.S. to Manitoba decreased by 12.1% in 2005. This compares to an 8.6% decline nationally.

The Winnipeg Airports Authority reported a sharp 6.5% increase in passenger traffic in 2005, as passenger traffic reached a record 3.2 million. The increase is primarily credited to business and leisure travel within Canada. Domestic travel, which makes up almost 90% of visits to Manitoba, is estimated to have increased by 1.8% in 2005. Overseas tourism, a small portion of total travellers, was up 8.3% in Manitoba.

*The Winnipeg Airports Authority reported a sharp 6.5% increase in passenger traffic in 2005, as passenger traffic reached a record 3.2 million.*

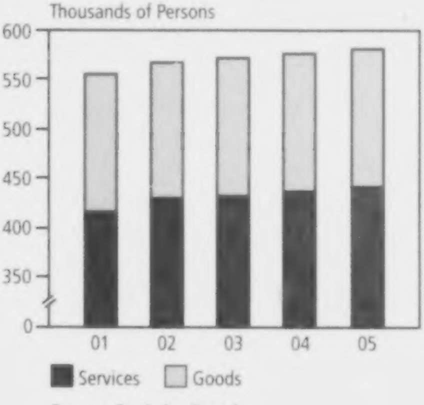
Last year, almost 250,000 people stopped at the six travel information centres operated by Travel Manitoba. This represents a slight decrease from 2004 and is consistent with the decline in U.S. cross-border traffic. Fewer road trips by American tourists and a weaker U.S. dollar would be expected to impact more on tourism in Manitoba than Canada since Americans make up a higher proportion of visits in Manitoba (98%) than in Canada (88%).

Some of the major festivals in Manitoba reported increased attendance last year, including the Winnipeg Folk Festival, the Brandon Folk Festival, the Festival du Voyageur, the Manitoba Stampede

*Some of the major festivals in Manitoba reported increased attendance last year, including the Winnipeg Folk Festival, the Brandon Folk Festival, the Festival du Voyageur, the Manitoba Stampede and the Winnipeg Fringe Theatre Festival.*

Chart 18

**Manitoba Employment**



Source: Statistics Canada

and the Winnipeg Fringe Theatre Festival. Principally due to poor weather conditions, Folklorama attendance numbers fell slightly in 2005.

Winnipeg hotel occupancy rates increased from 62.9% to 63.2% in 2005, despite the lower traffic from the U.S. Increased domestic and overseas travel would appear to have offset lower U.S. volumes.

For 2006, the Conference Board of Canada forecasts that domestic overnight person trips to Manitoba will grow by 1.8% with overseas visits up 6.2% and U.S. visits up 0.7%.

## Labour Market

Employment in Manitoba reached an all-time high in 2005 at 580,300 workers. Total employment increased 0.6% (see Chart 18). There were 466,500 full-time workers and 113,900 part-time workers in the province last year. The number of Manitobans unemployed decreased by 3,200 to 29,100 people in 2005, the second-lowest level since 1980.

The provincial labour supply growth has maintained a steady pace in the past few years. However, partly dampened by the demographics of an aging work force, Manitoba's labour force increased by only 500 workers in 2005 to a total of 609,400. With more jobs created than there were workers entering the labour market, unemployment fell, and tight labour market conditions persisted throughout the year.

Manitoba's unemployment rate decreased by half a per cent from 5.3% in 2004 to 4.8% in 2005, the second-lowest rate among provinces (see Chart 19). Manitoba has had the lowest or the second-lowest unemployment rate in Canada in the last five years. The national average unemployment rate also decreased in 2005 to 6.8%, down from 7.2% in 2004.

The unemployment rate in Manitoba for most age categories fell in 2005. The youth (ages 15-24) unemployment rate decreased from 10.9% in 2004 to 9.7% in 2005. Manitoba's youth unemployment rate was the second-lowest among provinces. The rate for workers between ages 60 and 64 fell from 3.8% to 3.3%. The unemployment rate for workers between ages 50 and 54 dropped to 2.9%, its lowest level since 1976. The low unemployment rate coupled with near-record low levels of unemployed in the province is an indication that the Manitoba economy is operating at or near full employment.

The service sector, which accounts for 76% of all jobs in Manitoba, posted a 0.9% gain in 2005. Employment growth in services was led by a 17.4% gain in finance and insurance and a 7.4% gain in accommodation and food services. Goods-producing sector employment remained flat in 2005. However, within the sector there was a 2.2% increase in the mining, oil and gas employment, and a 1.8% increase in construction employment. Employment in manufacturing declined by 0.6%, a modest reduction compared to Canada's 3.7% decline.

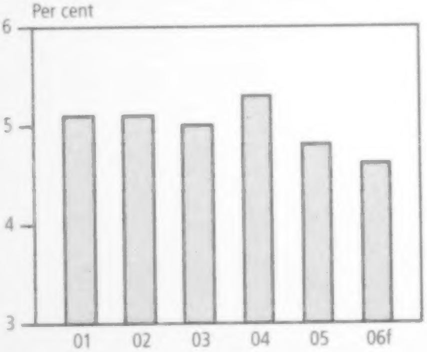
In the past four years, Manitoba's labour force participation rate set a new record and has remained near record levels. In 2002, the rate increased to 69.0% and in 2004 it further increased to 69.1%. In 2005, it retreated slightly to 68.6%. The provincial labour force participation rate is currently the second- highest in Canada following Alberta. Manitoba has maintained the second place ranking for the last five years.

The employment rate, the number of individuals working as a share of the total working age population, has expanded by an average of 0.2% annually during the last five years. It has averaged 65.2% in the last five years (2001-2005), up from 62.9% average in the previous five-year period (see Chart 20). Similar to the participation rate, the employment rate has set record highs and has remained near record levels in the last four years. In 2002, the rate hit a record high of 65.5%. In 2005, the employment rate was 65.3%.

Employment growth and higher participation rates underscore the fact that an increasing number of

Chart 19

## Manitoba Unemployment Rate

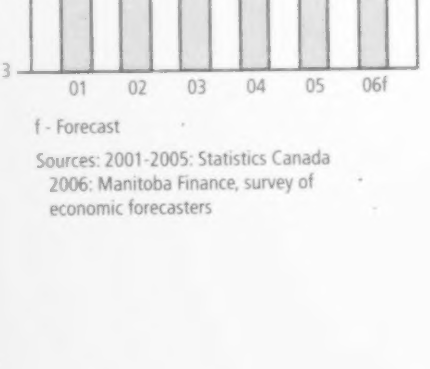


f - Forecast

Sources: 2001-2005: Statistics Canada
2006: Manitoba Finance, survey of economic forecasters

Chart 20

## Manitoba, Canada and U.S. Employment Rate



Sources: Statistics Canada
U.S. Department of Labor

## Labour Market Definitions

**Employment:** Non-institutionalized, civilian working-age adults (15 years of age and older) that work at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

**Unemployment:** People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

**Labour Force:** The sum of employment and unemployment. Excludes those who are not employed and who are not looking for work.

**Participation Rate:** Labour Force as a percentage of working-age adults.

**Employment Rate:** Employment as a percentage of working-age adults.

Manitobans are willing to work and are finding work. This bodes well for future growth in the province and instills confidence in the labour market.

Manitoba Finance's survey of economic forecasters shows Manitoba's annual employment growth rate is projected at 1.0% in 2006. The unemployment rate is forecast to further decrease to 4.6% in 2006 down from 4.8% in 2005.

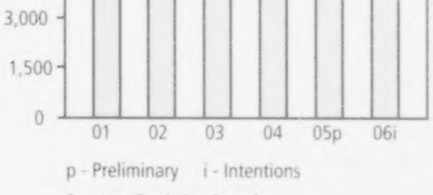
### Investment

Manitoba is set to lead all provinces in capital investment growth in 2006. According to Statistics Canada's Survey of Private and Public Investment, total capital investment will increase to $8.0 billion, a rise of 14.6%. This is more than double the expected rate of growth in national investment of 6.1% and brings the five-year growth in total capital investment in the province to 37.6%, or $2.2 billion. In 2005, Manitoba's total investment increased 3.9% (see Chart 21).

Private capital investment is projected to increase 10.4% in 2006, second-highest in Canada and more than double the estimated national growth rate. Private investment rose 2.2% in 2005 (see Chart 22). Private investment accounts for three-quarters of total capital investment in the province.

Chart 21

**Total Capital Investment**



p - Preliminary i - Intentions

Sources: Statistics Canada

Public capital investment in Manitoba is estimated to increase 27.1% in 2006, the second-highest growth in Canada. In 2005, public capital investment increased 9.5%, in line with the national increase.

Among industries, 2006 investment in each of manufacturing, education services, public administration, construction, transportation and warehousing, utilities, and retail trade is expected to rise by over 20% versus 2005 estimated levels. Capital investment in housing is projected to be up by 6.8%, bringing the level of housing investment to $1.7 billion, an 87% increase versus 2000.

According to the Manitoba Bureau of Statistics, real (inflation-adjusted) non-residential business investment in Manitoba is projected to have grown 3.9% in 2005, with a 7.3% real increase in non-residential structures and a 2.7% increase in real machinery and equipment spending. Real non-residential business investment has increased significantly in Manitoba in the past five years. In particular, real investment in machinery and equipment has increased by 30% between 1999 and 2004, one of the strongest increases among the provinces (see Chart 23). The Manitoba Bureau of Statistics projects continued growth in 2005. The rising value of the Canadian dollar, which reduces the effective price of machinery and equipment imports for Manitoba businesses, helped push up the rate of capital goods investment.

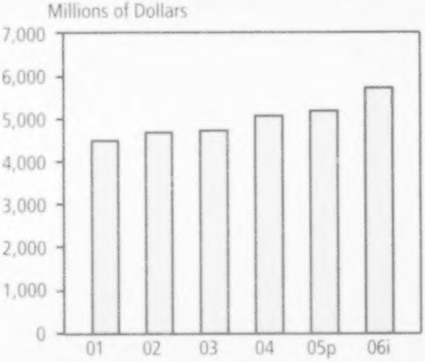
Manitoba's building permits data shows that, for 2005, the value of permits issued in Manitoba declined by 1.7% as non-residential permits declined 8.6%. Institutional/government project permits led the decline with a 25.5% drop.

The Conference Board of Canada, in its February 2006 forecast, projects that capital investment in Manitoba in 2007 will increase 7.6%, the highest among provinces.

Several major capital projects have just been completed, are under way or are now planned.

Chart 22

**Private Capital Investment**



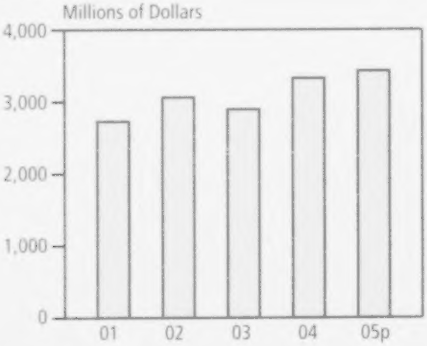
p - Preliminary i - Intentions

Sources: Statistics Canada

*Manitoba is set to lead all provinces in capital investment growth in 2006.*

Chart 23

**Real Machinery & Equipment Investment**



p - Projected

Source: Manitoba Bureau of Statistics

*The Conference Board of Canada, in its February 2006 forecast, projects that capital investment in Manitoba in 2007 will increase 7.6%, the highest among provinces.*

Examples include the following projects:

- In October 2005, **Husky Energy** announced that it would build a new $145 million ethanol plant at its existing site in Minnedosa. The new facility would use about 1,000 tonnes of wheat per day to produce about 130 million litres of ethanol annually. The plant will become operational in 2007.
- Construction has begun on the new **Manitoba Hydro** Head Office in downtown Winnipeg. The new $258 million, 22-storey office tower will provide Hydro with 690,000 square feet of space and will be one of the most energy efficient buildings in the world. Completion of the project is expected in 2007.
- **INCO Ltd.** plans to invest $45 million over the next two years to develop the new 1-D Lower ore body in Thompson, and is investing an additional $100 million for upgrades to its Thompson facilities, including rebuilding its main smelter furnace.
- **Can-Oat Milling Inc.** plans to invest $14 million to expand and renovate its Portage la Prairie mill. The new facility should be operational in 2007 and would increase the company's production level from 290,000 to 340,000 tonnes per year.
- The **Paletta Group** is investing $15 million in the Gull Harbour resort, located in Hecla Provincial Park. The redevelopment of the property into the Hecla Oasis Resort, Spa and Golf Course is currently under way and should be completed by 2007.
- In the autumn of 2005, construction began on the **Red River Floodway Expansion**. The project will more than double the size of the floodway to protect Winnipeg from a one-in-700-year-level flood. Completion of the project is expected in 2010 and will generate approximately 1,000 jobs over the course of the project.

- Construction on the new ***Siemens Institute for* Advanced Medicine** will begin in spring 2006. The Institute will focus on developing technological advancements in neurosciences, infectious diseases, medical informatics/simulation, advanced imaging and new advanced surgical technologies. The $25 million facility will be built adjacent to the Health Sciences Centre in Winnipeg.
- Construction of the **Richardson Centre for Functional Foods and Nutraceuticals** is nearing completion, with the Centre expected to become operational in the spring of 2006. This $31 million facility will bring together researchers from the agriculture, foods sciences, human nutrition, medicine and pharmacology disciplines, along with their industry partners, to study and develop functional foods and nutraceuticals.
- The 99 MW **St. Leon Wind Energy Project** is nearing completion, with the project expected to be operational in early 2006. A total of 63 wind turbines will be installed at the site, with project costs estimated at $210 million. The project will be big enough to supply the energy needs of 35,000 homes when completed and will be one of the largest wind farms in Canada.
- **Winnipeg Airports Authority** has started a major capital project to upgrade the international airport facilities with more than $500 million investment. The project will include a new terminal building, a new parkade and investment in other airport infrastructure. The work on the project began in autumn 2005 and will continue until project completion in 2009.
- Brandon's new Keystone Centre's $8.5 million **Agriculture Centre of Excellence** will open in March 2006 and support continued growth of activity in the Centre. This expenditure was part of a total $15 million capital expenditure project focussed on the Keystone Centre.

> **"Manitoba's economic performance is expected to remain strong, with real GDP growth of 3 per cent in 2006 and 2.8 per cent in 2007."**
>
> **Conference Board of Canada**
> **Winter Provincial Forecast**
> **February 2006**

> “[The] diversified economy of Manitoba is expected to advance at the same beat as Canada as a whole.”
>
> TD Economics
> Provincial Economic Update
> February 2006

- Construction of the new **Bergen Cardiac Care Centre** at St. Boniface General Hospital is expected to be completed in the autumn of 2006. The new 42,000 square foot project will cost $21 million. The new facilities will include state-of- the-art cardiac catheterization labs, arrhythmia device implant procedure rooms, electrophysiology and ablation procedure rooms, suites for echocardiography, EKG, pacemaker and defibrillator clinics, and general and specialized cardiology clinics.

- **OlyWest** plans to begin construction of a new hog processing plant in Winnipeg in 2006, with completion of the project expected in 2008. The $200 million plant would process 2.25 million hogs annually. Up to 1,100 jobs would be created at the new plant.

- **Biovail Corporation** is in the process of constructing a $28 million expansion of their Steinbach plant which is slated to be completed in the spring of 2006. This expansion is in addition to the $44 million expansion which Biovail constructed in 2002, and will add a further 150 jobs to a work force that has already increased by 363 jobs in the past few years. Biovail, recognized internationally for their leadership position as an innovative developer of medicines, continues to expand their state-of-the-art pharmaceutical manufacturing facility in Steinbach, designed primarily to create slow release drug products, for which the Steinbach plant holds the world-wide manufacturing mandate.

- **Cangene Corporation** is adding a $30 million expansion which will be completed in 2006. The expansion will assist Cangene to increase research and production of their antibody products which aid in the fight against some of the world's most deadly biothreats, such as Smallpox, Ebola, and Anthrax.

## Foreign Markets

The value of Manitoba's foreign merchandise exports in 2005 was $9.9 billion, up 3.6% from 2004 (see Chart 24).

Manitoba's foreign merchandise exports to the U.S., which accounted for 76% of Manitoba's foreign merchandise exports last year, grew 5.3% over 2004 and outpaced the national average. Although the Canadian dollar continued to appreciate against the U.S. dollar, exports to the U.S. continued to improve in 2005. The end of the cattle ban and increased electricity production contributed to this gain.

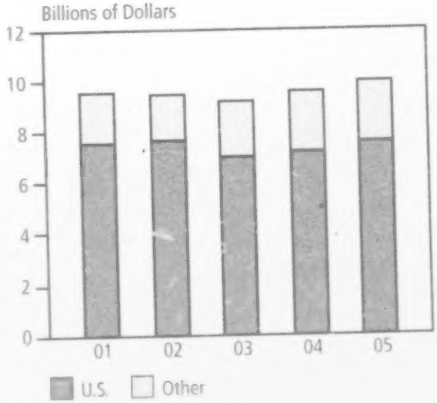
Manitoba's exports to non-U.S. destinations underperformed those of Canada, falling 1.3% last year to $2.4 billion. The major cause of the decrease was a sharp drop in exports to China, which declined 37.7%, attributed to weaker wheat and grain sales. On the other hand, significant increases in exports to the United Kingdom, Belgium and Japan were posted, almost offsetting the drop in exports to China. Despite the slight decline in overall exports to non-U.S. destinations last year, this category of exports is up 52.3% since 1999.

Exports of manufactured goods, which account for two-thirds of total foreign exports, were relatively unchanged last year. Industries with the most significant gains were fabricated metals (24.6%), electrical and electronic products (23.8%), transportation equipment (8.1%) and machinery (6.4%). Major declines were experienced in refined petroleum and coal products (-41.2%), clothing and textiles (-24.5%) and furniture and fixture industries (-14.6%).

Agriculture products, accounting for one-fifth of total exports, declined 2.8%, as crop production in both 2004 and 2005 was hampered by poor weather. In 2005, wheat and oilseed exports fell 28.2% and 8.8%, respectively. Bright spots in Manitoba agriculture were hog exports (up 18.7%) and other grain exports (up 9.3%).

Chart 24

**Manitoba Foreign Merchandise Exports**



Source: Statistics Canada

> "Manitoba's sale of exports abroad reflects the diversity that characterizes the provincial economy."
>
> Canada West Foundation
> Manitoba Economic Profile
> and Forecast
> October 2005

## Manitoba Foreign Exports

| BY INDUSTRY | 2001 | 2002 | 2003 | 2004 | 2005 | 2005 Share |
|---|---|---|---|---|---|---|
| | | | (Millions of Dollars) | | | (%) |
| Manufacturing | | | | | | |
| Food | 996.0 | 1,058.6 | 1,085.8 | 1,139.4 | 1,080.4 | 10.9 |
| Transportation Equip. | 1,139.7 | 944.9 | 878.4 | 932.0 | 1,007.7 | 10.2 |
| Primary Metals | 803.5 | 847.1 | 870.2 | 963.0 | 922.9 | 9.3 |
| Machinery | 535.9 | 679.8 | 620.8 | 728.0 | 774.5 | 7.8 |
| Wood | 531.4 | 573.3 | 553.0 | 638.4 | 623.0 | 6.3 |
| Chemical Products | 418.1 | 396.3 | 459.7 | 457.7 | 459.8 | 4.7 |
| Paper | 254.9 | 267.1 | 298.6 | 300.5 | 294.2 | 3.0 |
| Plastics | 210.5 | 221.4 | 229.1 | 233.9 | 242.3 | 2.5 |
| Electrical & Electronic | 273.8 | 188.2 | 187.9 | 192.3 | 238.1 | 2.4 |
| Printing | 165.6 | 195.2 | 182.7 | 183.9 | 189.4 | 1.9 |
| Fabricated Metals | 126.1 | 119.2 | 116.2 | 130.8 | 163.0 | 1.6 |
| Petroleum and Coal | 118.7 | 135.4 | 186.1 | 166.4 | 97.9 | 1.0 |
| Furniture and Fixtures | 171.5 | 166.8 | 125.2 | 111.1 | 94.9 | 1.0 |
| Clothing and Textiles | 156.6 | 145.2 | 122.4 | 99.0 | 74.8 | 0.8 |
| Other Manufacturing | 127.1 | 164.5 | 142.7 | 166.5 | 148.4 | 1.5 |
| **Total Manufacturing** | **6,029.3** | **6,103.0** | **6,058.7** | **6,443.0** | **6,411.4** | **64.8** |
| Agriculture | 2,030.0 | 1,838.9 | 2,072.2 | 1,961.6 | 1,906.8 | 19.3 |
| Electricity | 714.5 | 792.3 | 520.1 | 431.1 | 596.9 | 6.0 |
| Other Primary | 534.7 | 390.5 | 263.7 | 379.7 | 595.6 | 6.0 |
| Other Exports | 267.8 | 279.5 | 279.7 | 322.7 | 375.9 | 3.8 |
| **Total Exports** | **9,576.2** | **9,404.3** | **9,194.3** | **9,538.2** | **9,886.6** | **100.0** |
| **BY DESTINATION** | | | | | | |
| United States | 7,517.8 | 7,604.7 | 6,986.3 | 7,155.1 | 7,534.7 | 76.2 |
| Japan | 454.7 | 475.0 | 508.1 | 456.7 | 524.5 | 5.3 |
| China | 167.9 | 79.5 | 157.5 | 391.5 | 243.9 | 2.5 |
| Mexico | 177.3 | 148.0 | 204.6 | 255.0 | 199.6 | 2.0 |
| Hong Kong | 140.2 | 112.1 | 130.8 | 171.7 | 129.7 | 1.3 |
| Korea South | 47.7 | 43.9 | 43.3 | 43.6 | 100.3 | 1.0 |
| Belgium | 147.5 | 117.9 | 115.0 | 74.7 | 92.8 | 0.9 |
| United Kingdom | 56.1 | 72.7 | 70.8 | 62.4 | 86.1 | 0.9 |
| Australia | 39.5 | 47.8 | 52.0 | 62.9 | 64.1 | 0.6 |
| Taiwan | 52.1 | 55.8 | 54.9 | 61.8 | 60.5 | 0.6 |
| Other Countries | 775.5 | 646.8 | 870.9 | 803.0 | 850.4 | 8.6 |
| **Total Exports** | **9,576.2** | **9,404.3** | **9,194.3** | **9,538.2** | **9,886.6** | **100.0** |

Note: Totals may not add due to rounding.
Source: Manitoba Bureau of Statistics

Above-average precipitation in the first half of 2005 was a boon to hydro-electricity generation; foreign exports of electricity increased by 57%. Export revenue increased sharply in 2005, eclipsing the previous record.

## Population

Manitoba's population was estimated at 1,178,109 persons on October 1, 2005, an increase of 4,751 persons, or 0.4%, from the previous October 1, 2004 total of 1,173,400 (see Chart 25).

For the twelve-month period (October 2004 to October 2005), the largest contributor to the population increase was international migration, which increased by a net 6,791 persons. Natural increase in population (births less deaths) contributed a net addition of 3,935 persons, while the movement of non-permanent residence and Canadian citizens traveling abroad added 740 persons. Total net interprovincial migration contributed to the remaining net change in Manitoba's population.

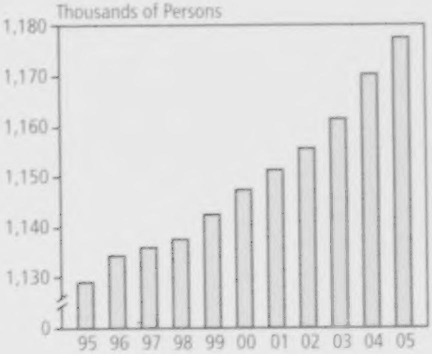
International immigration has shown a positive trend for a number of years, but most significantly in the last two years. From October 2004 to October 2005, 8,123 international migrants came to the province, the highest level since 1974. In the previous twelve-month period, a total of 7,559 persons arrived from international destinations. Prior to these two years, the five-year average immigration level was approximately 4,600 persons (see Chart 26).

This sharp increase in immigration is mainly due to the successful Manitoba Provincial Nominee Program which facilitates visa and work-permit applications from foreign skilled workers and families. The primary objective of the Manitoba Provincial Nominee Program is to increase Manitoba's share of Canadian immigration to a level equal to the province's share of national population (3.66%) by boosting immigration to 10,000 annually by 2006.

The second-largest contributor to population growth in 2004/05 was natural increase. In the last year

Chart 25

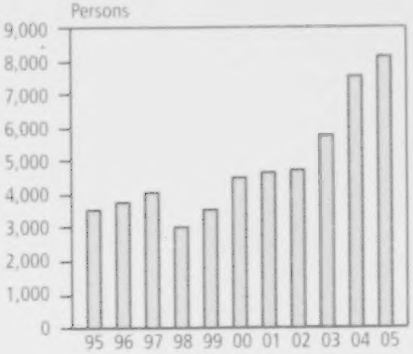
### Manitoba Population, 1995 to 2005



Source: Statistics Canada

Chart 26

### Manitoba Immigration, 1995 to 2005



Source: Statistics Canada

## ■ MANITOBA'S 2005 POPULATION IN PROFILE

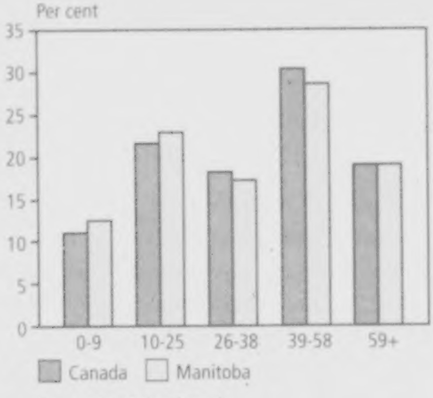
Demographers refer to "baby boomers" as the post-World War II generation born between 1947 and 1966. The "echo boomer" generation consists of children of baby boomers, who were born between 1980 and 1995. In Manitoba, these two groups represent the largest proportion of the population. Baby boomers account for 28.6% of total population while echo boomers represent 22.8%. Canada has an older population than Manitoba with baby boomers representing 30.4% of the population while echo boomers represent 21.5% (see Chart 27).

Manitoba's large echo boom reflects a higher fertility rate than the Canadian average. This makes Manitoba's population profile somewhat unique among provinces. Manitoba has the second-youngest population among provinces with a median age of 37.1, in contrast to a median age of 38.5 in Canada.

Alberta has the youngest population in Canada with a median age of 35.5, partly reflecting the influx of young people and young families moving into that province. Manitoba has the largest proportion of children under age 10, and the second-smallest proportion of baby boomers in the country, after Saskatchewan.

Chart 27

**Share of Population By Age Groups, 2005**



Source: Statistics Canada

Though the baby boomers population is relatively smaller in Manitoba, they are the largest single age cohort in the province. The front end of the baby boom group in Manitoba turned 58 in 2005. They are beginning to contemplate retirement and are becoming greater consumers of health services. The peak of this generation was born in 1961 and turned 44 in 2005. Individuals in this group are in their prime earning years with homes that are paid for, being renovated or otherwise upgraded, and children who may be in post-secondary education.

The second-largest group is the echo boom. The oldest echo boomers just turned 25 and the peak of this group is age 15. The size of this generation should ensure that there will be a steady, albeit somewhat smaller, supply of workers entering the labour market over the next decade. This supply will help ease the tight labour market pressure that is anticipated with retiring baby boomers.

Baby boomers will reach the milestone age of 65 in 2012. During the same year, the bulk of the echo boomers will be well into their twenties. This implies that fewer people will be entering the labour market. With this demographic profile, the labour market pressures will intensify not only in Manitoba but throughout Canada.

there were 14,130 births in the province and 10,195 deaths, generating a net natural population increase of 3,935 persons. Due to the demographic profile, which includes the aging "baby boom" generation, the natural rate of population increase gradually declined in the 1990s. However, this has started to turn around and is expected to increase slowly in the future as the "echo boom" generation enters into the more fertile age cohort. Also, higher immigration rates and enhanced maternity policies under the Employment Insurance (EI) program are expected to contribute to a modest increase in the number of births in the province.

*In 2005, Manitoba has the second-youngest population among provinces with a median age of 37.1, in contrast to a median age of 38.5 in Canada.*

## ■ HIGHER INCOMES

One of the principal benefits of a growing economy is rising incomes. Higher incomes promote savings and investment, along with higher personal consumption and better living standards.

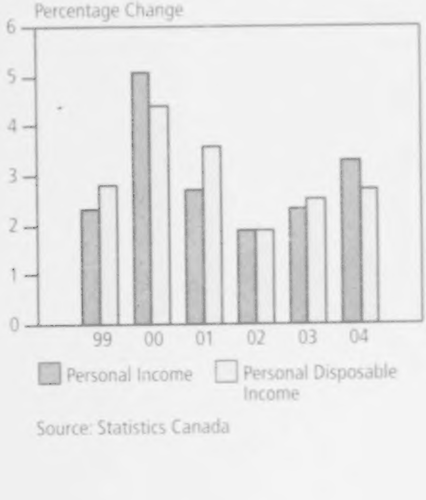
Personal income and personal disposable income are two important measures of overall economic well-being. Personal income includes wages and salaries, investment income and transfers from government (for example, EI benefits and CPP income). Personal disposable income is personal income less personal income taxes and social security program contributions. Broadly, personal disposable income is the income left to individuals after their personal taxes have been paid.

In 2005, the largest component of personal income, wages and salaries, is projected to increase 5.1% in Manitoba, much higher than the average annual growth for the preceding five years. Investment income is expected to increase by 4.4%, building on a 3.0% gain in 2004. Due to the poor growing conditions last season, net farm income is projected to fall significantly in 2005.

Despite the weakness in farm income, Manitoba's per capita personal disposable income is forecast by the Conference Board of Canada to rise by 2.6% in 2005. In 2004, Manitoba ranked fifth-highest

Chart 28

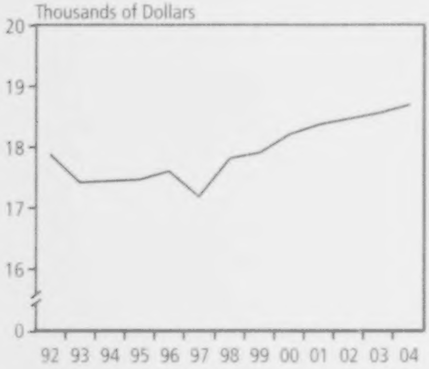
**Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita, 1999 to 2004**



Source: Statistics Canada

Chart 29

### Manitoba Real Personal Disposable Income Per Capita, 1992-2004



Source: Statistics Canada

in terms of personal disposable income per capita among provinces. Manitoba's per capita disposable income rose 2.8% that year (see Chart 28), just below the national increase of 2.9%.

In per capita terms, Manitoba's personal income is forecast to increase by 3.1% in 2005. In 2004, per capita personal income grew by 3.3%, equivalent to the national rate. Manitoba's per capita personal income grew by 16.0% between 1999 and 2004.

After accounting for inflation, "real" per capita personal disposable income has increased by 4.3% between 1999 and 2004. This contrasts with the 1990s, when Manitoba's real per capita personal disposable income declined (see Chart 29).

The gap between Canada and Manitoba's real per capita personal disposable income growth has been smaller between 1999 and 2004 compared to the 1990s. Manitoba has performed on par with, or better than, Canada in three of the last four years. The Conference Board of Canada forecasts Manitoba's real per capita personal disposable income growth to be above the national average in 2006 and 2007.

## MANITOBA OUTLOOK

The Manitoba economy is expected to maintain fairly steady above-average growth in both 2006 and 2007. Manitoba Finance's survey of economic forecasters shows that real GDP in Manitoba is projected to increase by 2.9% in 2006 matching the rate estimated for 2005. In 2007, the economy is projected to grow by 2.6%.

The outlook for Manitoba follows the trend in both the Canadian and U.S. economic projections. Slower growth in 2007 is expected as higher interest rates dampen the housing market and consumer spending in general.

Economic forecast highlights noted by the private forecasters for Manitoba in 2006 include continued strength in construction, manufacturing and retail trade. In non-residential construction, several major projects' spending profiles peak in 2006. Housing demand is also expected to remain strong, as more homes will be built in 2006 compared to 2005. In manufacturing, construction will buoy demand for fabricated metal products, while strong demand for processed nickel is expected to be reflected in further gains for the primary metals industry. New orders for energy-efficient buses will help maintain sales for the transportation equipment manufacturers. Retail trade is also projected to remain strong as consumer spending continues to rise due to sustained income growth.

### Manitoba Outlook at a Glance

| | 2005 | 2006f | 2007f |
|---|---|---|---|
| | (Percentage Change Except as Noted) | | |
| Gross Domestic Product | | | |
| Real | 2.9 | 2.9 | 2.6 |
| Nominal | 5.1 | 4.6 | 3.7 |
| Employment | 0.6 | 1.0 | 1.0 |
| Unemployment Rate (%) | 4.8 | 4.6 | 4.7 |
| CPI | 2.7 | 1.8 | 1.7 |

f - Forecast

Sources: 2005: Statistics Canada and Manitoba Bureau of Statistics (GDP are projected)
2006 and 2007: Manitoba Finance, survey of economic forecasters

Manitoba's nominal GDP is projected to increase by 4.6% in 2006 and by 3.7% in 2007. This compares with projected national growth of 5.5% in 2006 and 4.3% in 2007. The factors driving nominal GDP growth in both Canada and Manitoba are strong growth in corporate profits and rising employment income. The higher rate in Canada also reflects continued strong performance in Alberta and Saskatchewan's oil and gas industry.

Manitoba's employment is expected to grow by 1.0% in each of 2006 and 2007. The unemployment rate is projected to decline to 4.6% this year and edge up to 4.7% in 2007.

With expectations of lower energy prices in the near term, Manitoba consumer price inflation is expected to slow to 1.8% in 2006, down from 2.7% in 2005. In 2007, inflation is expected to decline further to 1.7%.

## THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba's economy continues to be recognized as one of the most diversified in Canada. Reports by Dominion Bond Rating Service, Moody's Investors Services, Standard and Poor's, and RBC Financial Group all cite economic diversity as one of the province's major economic strengths.

Diversity provides long-term stability, as periodic weakness in some industries are balanced by good growth in others. No one industry dominates the province's economy. Manitoba has almost an equal number of industries in all size categories: small, medium and large. Statistics Canada data show that Manitoba's economy is among the most stable in terms of growth performance among all provinces over the past five years.

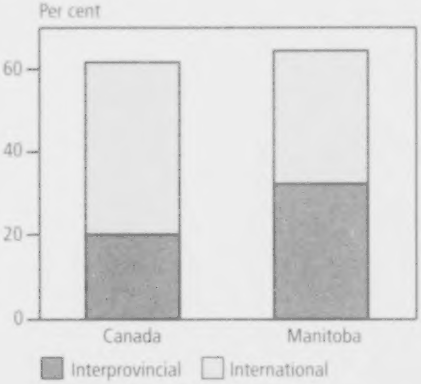
Even within the current industrial structures there is growing diversity, providing Manitoba business with a stable environment in which to flourish. Developments in traditional industries are providing opportunities for Manitoba businesses to expand into new markets, and bring new products to existing markets. This continual broadening and renewal of Manitoba's economic base offers the prospect for even greater stability and certainty for Manitobans in the future.

Manitoba is one of Canada's most export-oriented provinces. As Chart 30 indicates, total exports as a per cent of GDP were 64.3% in 2005, ahead of the 61.7% national average. Manitoba's exports are evenly split between interprovincial and international exports, the most evenly balanced among provinces (see Chart 31). In contrast, the average Canadian provincial ratio of foreign to domestic exports is 2:1.

Manitoba businesses have taken advantage of the province's central geographical location to maximize opportunities for interprovincial trade. This high volume of interprovincial commerce has been recognized as an important contributing factor in

Chart 30

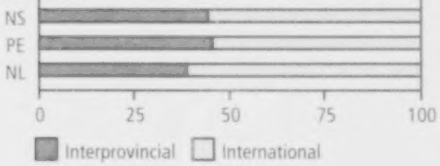
### Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2004



Source: Statistics Canada

Chart 31

### Ratio of Interprovincial to International Exports, By Province, 2004



Source: Statistics Canada

maintaining stable economic growth. Having an even balance between domestic and international trade has helped Manitoba's export industries remain competitive in the face of a rising Canadian dollar, and has helped the province avoid sharp declines in exports recorded in some other provinces that are more dependent on international exports.

The diversification of the economy into increased value-added production is best illustrated by the change in the export shares among major industries. In particular, manufacturing, which in 1996 accounted for about 57% of Manitoba's foreign merchandise exports, has grown steadily to account for over 65% of foreign exports in 2005. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals, plastic products, pharmaceuticals, printing and publishing goods and energy-efficient transit buses have increased dramatically.

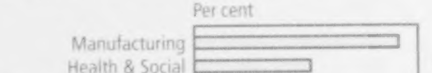
As noted above, Manitoba's industry profile is broadly based, which helps manage the risk associated with a downturn in any particular industry (see Chart 32). Manufacturing is Manitoba's largest sector, accounting for 12.8% of total GDP. Manitoba is home to Canada's largest furniture plant and to Motor Coach Industries and New Flyer Industries, making it the largest producer of intercity and urban buses in North America. Manitoba is also a major location for the manufacture of aerospace equipment, machinery and processed food.

Primary industries have historically played an important role in Manitoba's economic growth and development. Agriculture, mining and other primary industries directly contribute about 5.4% to provincial GDP. Manitoba's agriculture sector has diversified significantly over the past several years, and now produces a broader range of crops and livestock varieties.

> **"[Manitoba] has become a significantly diversified economy over time, with a number of key sectors driving its performance."**
>
> RBC Financial Group
> Provincial Outlook
> January 2006

Chart 32

**Shares of Manitoba Gross Domestic Product, 2005p**

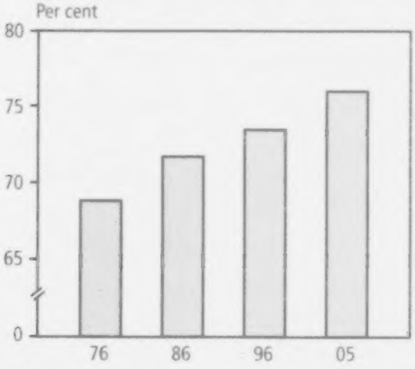


p - Projected

Source: Manitoba Bureau of Statistics

Chart 33

**Manitoba Service Industries Share of Total Employment**



Source: Statistics Canada

> "Manitoba has a relatively stable economy, supported by one of Canada's most diversified business mixes, declining dependence on primary sectors, below-average dependence on foreign trade, and one of the lowest unemployment rates in the country."
>
> Dominion Bond Rating Service
> Credit Rating Report
> May 2005

Manitoba's service sector encompasses a wide range of private and public sector activity. Service industries accounted for approximately 74% of Manitoba's economy in 2005, higher than the Canadian average. The service sector accounts for about 76% of jobs in the province (see Chart 33).

Relative to most provinces, Manitoba's service sector is large – a factor which provides added stability to the Manitoba economy. Service sector industries tend to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of two of Canada's major financial corporations – Great West Life and Investors Group – as well as CanWest Global Communications, Wawanesa Insurance, the Canadian Wheat Board, the International Institute for Sustainable Development, Cargill and Ducks Unlimited. Winnipeg is also a major centre for several other service industries, including transportation and storage industries, business call centres, health care, education and wholesale and retail trade.

Manitoba anchors the northern end of the mid-continent trade corridor that connects Canada to the Central U.S. and Mexico. The main lines of the two national railways and three railway lines to the U.S. meet in Winnipeg. This, coupled with major air and road transport links, has spawned a large cargo and freight transportation sector. Manitoba is home to a dozen of the country's 100 largest truckers. Three of the ten largest employers in the country's for-hire trucking industry have headquarters in Winnipeg. The province has about five percent of the national trucking business. The international border crossing at Emerson is the second-busiest in Western Canada.

Research and innovation have been pivotal in promoting the diversification and diffusion of new technologies and processes that have strengthened industry in the province. A number of major research establishments are located in Manitoba including the National Microbiology Laboratory, the National

Research Council's Institute for Biodiagnostics, the Food Development Centre, the Canadian Centre for Agri-Food Research in Medicine, Agriculture and Agri-Food Canada's Cereal Research Centre and several private life sciences companies. The life sciences research infrastructure in Manitoba is set to grow further in 2006 as the $31 million Richardson Centre for Functional Foods and Nutraceuticals will open in the spring. As well, construction of the new $25 million Siemens Institute for Advanced Medicine will begin in 2006, adjacent to the Health Sciences Centre in Winnipeg.

The merits of a diversified economic structure are clear. Diversification of Manitoba's economy provides a stabilizing mechanism during challenging economic conditions; provides an opportunity to expand into development of new goods and services and provides an opportunity to expand into new markets domestically and globally.

**"Manitoba's diversified economy runs the gamut of key Canadian industries, including mining, hydro, grain, agri-food, manufacturing, services and life sciences. This diversification helps to moderate economic swings, making the province a steady performer."**

Scotiabank Group
Provincial Pulse
February 2006

## MANITOBA ECONOMIC STATISTICS, 2001 TO 2005

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | (Millions of Dollars) | | | | |
| **SECTORS** | | | | | |
| Farm Cash Receipts | 3,701 | 3,848 | 3,574 | 3,893 | 3,736 |
| Crops | 1,519 | 1,913 | 1,704 | 1,779 | 1,281 |
| Livestock | 1,800 | 1,716 | 1,561 | 1,665 | 1,760 |
| Direct Payments | 382 | 219 | 308 | 459 | 694 |
| Manufacturing Shipments | 11,344 | 11,220 | 11,377 | 12,528 | 12,970 |
| Mining | 1,020 | 1,001 | 1,050 | 1,428 | 1,500* |
| Electric Power Sales | 1,458 | 1,361 | 1,282 | 1,434 | 1,797 |
| Export Sales | 596 | 472 | 380 | 488 | 818 |
| Housing Starts (no. of units) | 2,963 | 3,617 | 4,206 | 4,440 | 4,731 |
| Retail Trade | 9,878 | 10,570 | 10,953 | 11,692 | 12,443 |
| **FOREIGN EXPORTS** | | | | | |
| Total Exports | 9,576 | 9,404 | 9,194 | 9,538 | 9,887 |
| U.S. | 7,518 | 7,605 | 6,986 | 7,155 | 7,535 |
| **GROSS DOMESTIC PRODUCT** | | | | | |
| Nominal | 35,129 | 36,625 | 37,746 | 40,006 | 42,029 |
| Real | 33,066 | 33,723 | 34,366 | 35,217 | 36,233 |
| **BASE RATE WAGE SETTLEMENTS (%)** | | | | | |
| Public | 2.5 | 4.6 | 3.1 | 3.2 | 3.0 |
| Private | 2.5 | 1.3 | 0.6 | 1.4 | 2.5 |
| Total | 2.5 | 4.0 | 2.9 | 2.6 | 2.9 |
| **INVESTMENT** | | | | | |
| Total | 5,803 | 6,013 | 6,163 | 6,698 | 6,963 |
| Private | 4,442 | 4,649 | 4,721 | 5,082 | 5,193 |
| Public | 1,361 | 1,363 | 1,442 | 1,617 | 1,770 |
| Non-residential | 4,784 | 4,876 | 4,906 | 5,181 | 5,371 |
| Housing | 1,019 | 1,137 | 1,257 | 1,518 | 1,592 |
| **POPULATION** | | | | | |
| July 1 (000's) | 1,151 | 1,156 | 1,162 | 1,170 | 1,178 |
| **LABOUR MARKET** | | | | | |
| Labour Force (000's) | 583.7 | 597.8 | 600.3 | 608.9 | 609.4 |
| Employment (000's) | 554.3 | 567.2 | 570.3 | 576.6 | 580.3 |
| Participation Rate (%) | 67.8 | 69.0 | 68.7 | 69.1 | 68.6 |
| Unemployment Rate (%) | 5.1 | 5.1 | 5.0 | 5.3 | 4.8 |
| **CONSUMER PRICE INDEX** | | | | | |
| (Index, 1992=100) | 121.2 | 123.1 | 125.3 | 127.8 | 131.2 |
| **BANKRUPTCIES** | | | | | |
| Business | 300 | 249 | 243 | 178 | 149 |
| Farm | 19 | 41 | 28 | 27 | 26 |
| Personal | 2,493 | 2,437 | 2,609 | 2,339 | 2,507 |

* Estimated

Sources: Statistics Canada, Industry Canada and Manitoba Bureau of Statistics

| 2001 | 2002 | 2003 | 2004 | 2005 | |
|---|---|---|---|---|---|
| | (Annual Percentage Change) | | | | |
| | | | | | **SECTORS** |
| 17.5 | 4.0 | -7.1 | 8.9 | -4.0 | Farm Cash Receipts |
| 15.8 | 25.9 | -10.9 | 4.4 | -28.0 | Crops |
| 16.0 | -4.6 | -9.0 | 6.0 | 5.7 | Livestock |
| 33.1 | -42.7 | 40.7 | 48.9 | 51.2 | Direct Payments |
| -0.8 | -1.1 | 1.4 | 10.1 | 3.5 | Manufacturing Shipments |
| -17.3 | -1.9 | 4.9 | 36.0 | 5.0* | Mining |
| 12.6 | -6.6 | -5.8 | 11.9 | 25.3 | Electric Power Sales |
| 31.4 | -20.8 | -19.4 | 28.3 | 67.5 | Export Sales |
| 15.7 | 22.1 | 16.3 | 5.6 | 6.6 | Housing Starts (no. of units) |
| 5.8 | 7.0 | 3.6 | 6.7 | 6.4 | Retail Trade |
| | | | | | **FOREIGN EXPORTS** |
| 10.3 | -1.8 | -2.2 | 3.7 | 3.7 | Total Exports |
| 7.8 | 1.2 | -8.1 | 2.4 | 5.3 | U.S. |
| | | | | | **GROSS DOMESTIC PRODUCT** |
| 3.2 | 4.3 | 3.1 | 6.0 | 5.1 | Nominal |
| 0.8 | 2.0 | 1.9 | 2.5 | 2.9 | Real |
| | | | | | **BASE RATE WAGE SETTLEMENTS (%)** |
| - | - | - | - | - | Public |
| - | - | - | - | - | Private |
| - | - | - | - | - | Total |
| | | | | | **INVESTMENT** |
| 5.1 | 3.6 | 2.5 | 8.7 | 3.9 | Total |
| 5.5 | 4.7 | 1.5 | 7.7 | 2.2 | Private |
| 3.9 | 0.2 | 5.8 | 12.1 | 9.5 | Public |
| 3.8 | 1.9 | 0.6 | 5.6 | 3.7 | Non-residential |
| 11.8 | 11.6 | 10.5 | 20.8 | 4.9 | Housing |
| | | | | | **POPULATION** |
| 0.3 | 0.4 | 0.5 | 0.7 | 0.6 | July 1 (000's) |
| | | | | | **LABOUR MARKET** |
| 0.4 | 2.4 | 0.4 | 1.4 | 0.1 | Labour Force (000's) |
| 0.4 | 2.3 | 0.5 | 1.1 | 0.6 | Employment (000's) |
| - | - | - | - | - | Participation Rate (%) |
| - | - | - | - | - | Unemployment Rate (%) |
| | | | | | **CONSUMER PRICE INDEX** |
| 2.6 | 1.6 | 1.8 | 2.0 | 2.7 | (Index, 1992=100) |
| | | | | | **BANKRUPTCIES** |
| 18.6 | -17.0 | -2.4 | -26.7 | -16.3 | Business |
| 5.6 | 115.8 | -31.7 | -3.6 | -3.7 | Farm |
| 0.7 | -2.2 | 7.1 | -10.3 | 7.2 | Personal |

## Appendix: RESEARCH AND INNOVATION

Innovation is a fundamental catalyst in the process of economic growth and development. Research is at the heart of the innovation process, since research leads to the knowledge which eventually permits the development of new and enhanced materials, products, processes or services. It is these innovations that lead to economic growth and development.

Research and development (R&D) creates the knowledge and expertise that ultimately lead to innovations. The discovery and application of research knowledge is necessary if an economy is to compete and prosper. Those jurisdictions in the forefront of innovation will be best positioned to develop higher value-added sectors and better-paid, knowledge-based jobs. In the absence of innovation, economies will lose competitive advantage and societies will not realize the full social benefits that innovation can bring: higher productivity, rising incomes, a cleaner environment and sustainable development, improvements to personal health and wellness, and so forth.

R&D cannot occur without a supportive environment. In Manitoba, fostering R&D and innovation occurs through a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and in developing a skilled workforce for knowledge-based industries will continue to grow.

### Manitoba's Research Environment

One of the principal measures of R&D effort is the ratio of R&D expenditure relative to GDP. In Manitoba, the current level of gross expenditure on research and development was estimated to be equal to about 1.2% of GDP in 2003, about the same ratio as in 2002. On a per capita basis, gross domestic spending on R&D in Manitoba was $383 per person.

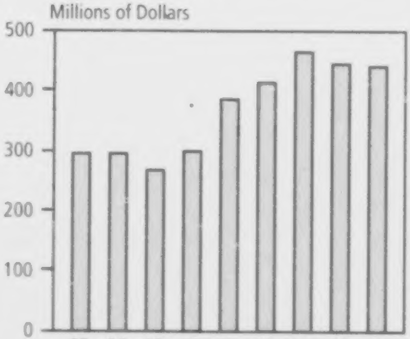
Statistics Canada estimates that total gross expenditure on R&D in Manitoba in 2003 was $443 million, just below the 2002 level (see Chart 34). Approximately 3,600 personnel are engaged in R&D activities in Manitoba, and about 80% of them work in higher education and private businesses.

Industry is an important component of the Manitoba R&D environment. Over 200 Manitoba businesses and 1,340 personnel were involved in R&D programs across a variety of economic sectors. Firms invested $131 million in Manitoba R&D activities in 2003, about 30% of the total spending on R&D in the province.

Research and innovation in Manitoba spans a broad range of industries, including medicine, pharmaceuticals, agriculture and agri-food, aerospace products and other transportation equipment. The list of firms undertaking research in the province include Apotex,

Chart 34

**Gross Expenditure on R&D in Manitoba**



Source: Statistics Canada

Biovail Corporation, Cangene Corporation, Buhler Versatile Industries, Glaxosmithkline Inc., Cargill, Monsanto Canada, Brett-Young Seeds, Vansco Electronics, New Flyer Industries and Bristol Aerospace.

One of Manitoba's widely recognized research strengths is in the fast-growing life sciences sector. The province is home to over 40 life sciences companies. About 30 R&D establishments undertake research activities in various biotechnology fields like health and agriculture. One in ten of Canada's biotechnology companies currently undertake research in Manitoba, and over 4,000 persons are employed by the life sciences industry in the province. Two major companies active in this field, Cangene Corporation and Biovail Corporation, are completing major expansions in Manitoba this year.

Manitoba is also home to a number of major public research and development facilities. These include the University of Manitoba, the St. Boniface General Hospital Research Centre, the National Microbiology Laboratory, the National Centre for Foreign Animal Disease, the National Research Council's Institute for Biodiagnostics, the Industrial Technology Centre, TRLabs, the Food Development Centre, the Canadian Centre for Agri-Food Research in Medicine, Agriculture and Agri-Food Canada's Cereal Research Centre, Canadian International Grains Institute and the Prairie Agricultural Machinery Institute.

The $31 million Richardson Centre for Functional Foods and Nutraceuticals will focus on products derived from crops important to the Prairie region, including oats, wheat, buckwheat, canola, flax and hemp. Major funding partners to date include Western Economic Diversification, the Province of Manitoba, CIBC, Agricore United, the Manitoba Rural Adaptation Council, the Richardson family and other private sector investors. The new building will be a unique facility where researchers from different disciplines as well as industry partners will work together to develop functional foods and nutraceuticals based on scientific evidence for their efficacy and safety. The 55,000 square foot facility will be fully operational by spring of 2006.

Construction on the new Siemens Institute for Advanced Medicine will begin in spring 2006. The Institute will focus on developing technological advancements in neurosciences, infectious diseases, medical informatics/simulation, advanced imaging and new advanced surgical technologies. The $25 million facility will be built adjacent to the Health Sciences Centre in Winnipeg.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at $120 million for 2003/04, down slightly from the previous year.

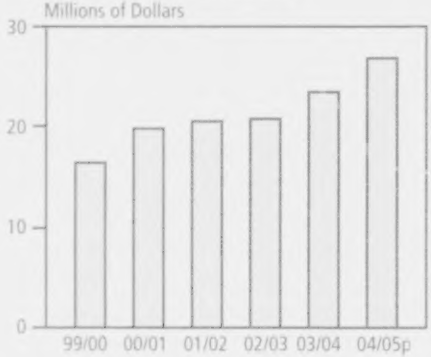
The federal government's expenditures on R&D in Manitoba are equal to 2.4% of the national total. This is well below Manitoba's share of population. The province of Manitoba has encouraged the federal government to increase funding to Manitoba's R&D sector and to ameliorate the funding deficiency.

The federal government supports science activities performed by federal departments and agencies, universities, businesses or other organizations. Federal departments and agencies conducting research in Manitoba include Agriculture Canada, Environment Canada, Fisheries and Oceans, Health Canada and the National Research Council. About half of the federal expenditures on R&D in Manitoba are for work carried out by these departments and agencies, while an equal amount of the federally funded R&D is conducted by universities and business.

## Provincial Support for Research and Innovation

Chart 35

**Provincial Government Expenditure on R&D 1999/2000 - 2004/2005p**



p - Projected

Source: Statistics Canada

The province supports research and innovation both through direct spending programs and through the Manitoba Research and Development Tax Credit. Manitoba's direct expenditures on R&D include internal departmental spending, support to business enterprises, R&D support to universities and health care organizations and support through the activities of the Industrial Technology Centre.

In 2004/05, direct expenditure on R&D by the provincial government is estimated at $26.9 million, up 14.6% from 2003/04 (see Chart 35). Most of the provincial government's direct expenditure commitment to R&D is provided to universities, hospitals and other health organizations, including the Manitoba Health Research Council. The balance of provincial R&D expenditure supports the work of government departments, private businesses and other parties.

Manitoba's Research and Development Tax Credit encourages private sector R&D activity in Manitoba. The Tax Credit program was established in 1992 and provides firms undertaking R&D in the province with substantial support for R&D investment through a non-refundable credit for qualifying R&D expenditures. Budget 2005 boosted the credit rate by 33%, to 20% of eligible expenditures from 15% (see "Manitoba R&D Tax Credit", page 48).

Manitoba partners with the federal government through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and the not-for-profit sector to conduct scientific research and product development. The Fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization.

This program, in part, leverages funds from outside sources, such as the Canada Foundation for Innovation and the Canadian Institutes of Health Research Regional Partnerships Program. In 2005/06 MRIF leveraged $12.2 million from these and other public and private sources.

In 2005/06, numerous projects were funded through the MRIF. The MRIF supported various research projects in several areas, including infectious diseases, microelectronics and genomics. The table "Manitoba Research and Innovation Fund Support, 2005/06" on page 43 provides a list of some of the projects funded last year.

## Manitoba Research and Innovation Fund Support, 2005/06

| | Funding<br>(Thousands of Dollars) |
|---|---|
| Research Laboratory for Epidemiology | 125 |
| CIHR Strategic Training Program | 100 |
| Richardson Centre for Functional Foods and Nutraceuticals | 2,375 |
| Manitoba Centre for Health Policy Endowed Child Health Chair | 400 |
| Manitoba Regional Materials and Surface Characterization Facility | 1,484 |
| Program in Systems Biology | 1,233 |
| Lipids and Atherosclerosis Research Lab | 99 |
| Wireless Sensor Network Lab | 89 |
| Manitoba Research Centre for mRNA Splicing | 96 |
| Gene Expression Analysis of Cardiac Hypertrophy | 100 |
| Remote Sensing of Marine Biological Hotspots in the Canadian Arctic | 100 |
| Electron Cooler Trap - Quantum Electrodynamics | 98 |
| Laboratory for Liquid Crystal/Nanopartical Composite Materials | 100 |
| Protein Biochemistry Lab | 100 |
| Ultra-Side Band Microwave Imaging Lab | 100 |
| Core Facility for the Analyses of Natural Health Products | 100 |
| Parasite Vaccine Development Lab | 100 |
| Field Laboratory for the Study of Retrofitted Landfill Leachate Removal Systems | 100 |
| Patch Clamp with Imaging by Fluorescence Resonance Energy Transfer | 100 |
| Stable Isotope Ratio Mass Spectrometer | 125 |
| Diabetes and Obesity Lifestyle Intervention Initiative (DOLI) | 266 |
| Regional Partnerships Program | 724 |
| Other Projects | 1,163 |
| **Total Projects Funding** | **$9,278** |

Source: Department of Energy, Science and Technology

As well as providing health research support through the various MRIF sub-component programs, Manitoba has implemented the Health Research Initiative. The objectives of the Initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. In 2005/06, the Health Research Initiative provided $2.0 million to support operating costs for five health research centres in Manitoba.

The province provided support grants of $2.0 million in 2005/06 to the Manitoba Health Research Council (MHRC) and the Manitoba Centre for Health Policy (MCHP). The Council promotes and assists health sciences in Manitoba and advises the Ministers of Health and Energy, Science and Technology on health matters referred to the MHRC. The Council operates funding programs including awards to post-doctoral and graduates students, Ph.D dissertation awards, and operating and establishment grants.

The MCHP is a research unit in the University of Manitoba's Faculty of Medicine. About 50 staff work at the Centre. The MCHP provides population-based health services research and policy analysis to support health care decision makers and providers in offering the most effective and efficient services to maintain and improve the health of Manitobans.

The government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established several years ago to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spin-off benefits for local companies and non-profit institutions.

In 2005/06, Manitoba Network of Centres of Excellence research programs received support totaling $600,000 through the MCEF. Grants were provided to research programs such as the Vaccines and Immunotherapeutics, Arctic Net, Intelligent Sensing for Innovative Structures Canada, the Canadian Arthritis Network and Sustainable Forest Management.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. Sponsored by the provincial and federal governments, the Agri-food Research and Development Initiative allocated $2.5 million in funding for research and development aimed at enhancing diversification, improved techniques, value-added opportunities and export capabilities in the province's large agri-food sector.

The province supports a special operating agency, the Food Development Centre in Portage la Prairie, to undertake R&D and related services to bring new Manitoba food products to market. The Centre provides support to clients in product development, food processing and packaging, and shelf life testing. The Centre completed a $13.6 million renovation and expansion in 2005, further supporting the diversification of the agri-food sector and moving more new products from the province into the national and international marketplaces.

Portage la Prairie is also home to the Prairie Agricultural Machinery Institute (PAMI) Manitoba testing and development station. Established over 25 years ago, PAMI is jointly sponsored by the governments of Manitoba and Saskatchewan. PAMI undertakes approximately 100 projects annually for a wide range of clients, including equipment manufacturers, farm producers, commodity groups and governments. Although the provincial governments provide some financial support to the Institute, PAMI has been a largely self-supporting research organization through fee-for-service arrangements.

Another special operating agency of the Manitoba government is the Industrial Technology Centre (ITC). ITC, located at the University of Manitoba's SMARTpark, facilitates technological improvements and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients. Facilities and services include a calibration laboratory, noise and vibration analysis, mechanical testing, advanced document examination and administrative support for product development and related activities. ITC operates a Virtual Reality Centre, which allows businesses to realistically simulate new products before they are built. Industrial clients can use the virtual technology to design any product with computer images that show how two-dimensional models will actually look and feel in a three-dimensional world.

## A New Biotechnology Facility

To keep up with demand for qualified professionals in Manitoba's burgeoning pharmaceuticals industry, Red River College opened its new $2 million biotechnology training facility in January 2006. The facility includes three laboratories plus two production rooms. Five new training programs in biopharmaceuticals development and processing are being instituted at the College to teach the skills necessary for applied research and production in the life sciences sector.

Manitoba is home to one of five TRLabs applied research laboratories. Sponsored by a private-public sectors partnership and funded in part by the Department of Energy, Science and Technology, it is Canada's largest not-for-profit information and communications technology research consortium. The Winnipeg office specializes in the area of data networking - research aimed at improving the speed, reliability and efficiency of the communications network - and health.

Manitoba Hydro commits approximately $5 million per annum to a research and development program to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure and improved customer service. Some of this research is undertaken in-house. Other company-sponsored research is undertaken at universities and other external research facilities. Last year, Manitoba Hydro supported more than 100 individual research projects.

In 2005, Manitoba Hydro announced that it will provide financial support for two new Natural Sciences and Engineering Research Council of Canada Industrial Research Chairs in the Faculty of Engineering at the University of Manitoba. The corporation will contribute approximately $730,000 over five years to the Power System Simulation Research Chair and $500,000 over five years to the Alternative Energy Research Chair. Manitoba Hydro is also supporting climate change research in the province including funding for a Climate Change Research Professor at the University of Winnipeg.

Manitoba Hydro operates the HVDC Research Centre. The Centre, established in 1981, performs innovative research and development in high voltage DC and power electronic technologies, instrumentation, and simulation. The Centre has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

## University of Manitoba

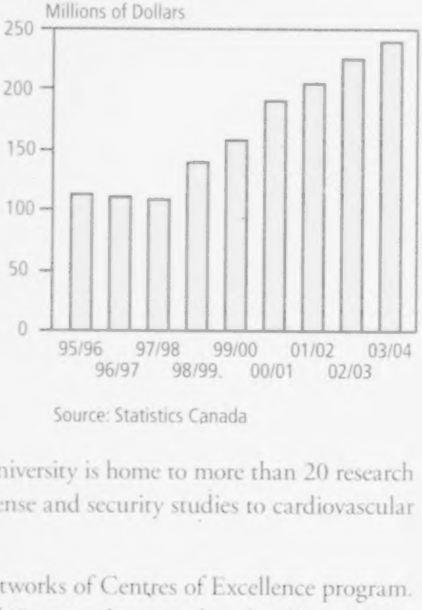
Universities and other post-secondary institutions play a critical role in Canadian R&D activities. These institutions provide the knowledge and the skilled labour force necessary for innovation and serve as incubators for new ideas in basic and applied research.

In Canada, higher education institutions account for about one-third of the R&D work performed. In Manitoba, the role of higher education is even more important as higher education (including related institutes, clinics and research stations) accounts for more than half of the R&D activity.

Statistics Canada estimates that R&D expenditure by Manitoba's higher education sector in 2003/04 was a record-high $238.7 million, up from $224.5 million in 2002/03 (see Chart 36). Natural sciences and engineering accounted for approximately 43% of this total, health sciences for 35%, while social sciences accounted for the remaining 22%.

Chart 36

**R&D Expenditure in Manitoba Higher Education, 1995/96-2003/04**



Source: Statistics Canada

The University of Manitoba is one of Canada's major research universities. The University has enrollment of 28,000 students with more than 3,800 academic and support staff. The University's reputation for outstanding research has earned it national and international recognition, and helped it to earn over $145 million last year in external research funding. Many of the research projects conducted at the University involve collaboration and partnership with other higher education and research institutions, private firms, community organizations and governments. The University is home to more than 20 research centres and affiliated institutes ranging in scope from defense and security studies to cardiovascular sciences.

The University is an active participant in the national Networks of Centres of Excellence program. Currently, the University's researchers participate in 12 of 19 networks created under this program, which include the University as the network leader of Intelligent Sensing for Innovative Structures Canada, the national network focussing on "smart" civil infrastructure.

## University of Manitoba National Centres Of Excellence Participation:

- Intelligent Sensing for Innovative Structures (Leader)
- advanced food and materials
- allergy, genes and environment
- arctic research
- arthritis research
- automobile design and engineering
- mathematics of information technology
- prion (BSE) research
- stroke research
- sustainable forest management
- vaccines and immunotherapeutics
- water research

The University of Manitoba has established 36 Canada Research Chairs to ensure its leadership role in areas of established excellence. The research programs of these chairs focus on such important fields as nanoscale physics, genetic modelling, cancer therapy development and population health research. The University's life sciences research activities are further strengthened through active partnerships with several major provincial medical research organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital Research Centre, the Manitoba Institute of Child Health and the Canadian Science Centre for Human and Animal Health.

In September 2005, the University opened its new Engineering and Information Technology Complex. New laboratories and equipment will help build on all current areas of research expertise - including advanced manufacturing, advanced materials, biomedical engineering, civil infrastructure, electrical power systems and information technology/communications - and create new research opportunities. In addition to building innovative links between the engineering and computer science disciplines, the complex will strengthen research collaboration with industry.

SMARTpark, the research and innovation park located at the University of Manitoba, continues to grow with the completion of the Richardson Centre for Functional Foods and Nutraceuticals in early 2006 and the new 42,000 square foot One Research Road multi-tenant facility, which has become the new home to Monsanto Canada's corporate headquarters. SMARTpark brings together industry and the University to promote R&D and the development of knowledge-based industry. One of the key features of the park is its proximity and access to the extensive resources of the University of Manitoba. Currently, about 18 companies with more than 800 people work at the SMARTpark facilities.

## Manitoba R&D Tax Credit

In Budget 2005, Manitoba boosted the credit rate for the province's non-refundable Corporation Income Tax credit for scientific research and experimental development undertaken in Manitoba by a third, from 15% to 20%.

The incentive, introduced in 1992, is tied to the criteria used to determine eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit.

The federal and provincial R&D credits are broadly targeted insofar as both incentives are activity based and apply to all sectors and industries. Both current expenditures, which include remuneration of persons engaged in research and the cost of materials and prescribed capital expenditures (which includes the cost of machinery and equipment) are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From the inception of the Manitoba R&D tax credit through to the 2004 taxation year (latest year for which data is available), firms conducting R&D in Manitoba claimed $105.2 million in provincial tax credits.

Further details in respect of the Research and Development Tax Credit programs are available at: http://www.ccra-adrc.gc.ca/taxcredit/sred/menu-e.html

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately owned corporation, based on 2006 income tax rates.

## After-Tax Cost of $100 R&D Expenditure, 2006

| | Large Corporation | Small Private Corporation |
|---|---|---|
| Eligible R&D expenditure | $100.00 | $100.00 |
| (less) Manitoba tax credit | 20.00 | 20.00 |
| (less) Federal tax credit | 16.00 | 28.00 |
| Deductible Amount | 64.00 | 52.00 |
| **Tax Savings:** | | |
| Manitoba | 9.28 | 2.34 |
| Federal | 14.16 | 6.82 |
| **Net after-tax cost** | **40.56** | **42.84** |

Manitoba

## Budget Paper B

# FINANCIAL REVIEW AND STATISTICS

# FINANCIAL REVIEW AND STATISTICS

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## INTRODUCTION

In 2004, the government of Manitoba announced that it would change the way in which it presents and reports its Budget for the 2007/08 fiscal year, making the Summary Budget the focus of its presentation to Manitobans. The Summary Budget statement integrates the plans for the consolidated operations of the government, including those of government enterprises and other Crown organizations in the wider Government Reporting Entity (GRE).

This approach will bring Manitoba in line with the new accounting standards in Canada that require provincial governments to report on the broader definition of government as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

### Update on Summary Budgeting

As announced in the 2005 Budget Address, the Steering Committee comprised of government officials and the Office of the Auditor General, is developing a plan to implement Summary Budgeting and Reporting on a full generally accepted accounting principles (GAAP) basis for 2007/08. In May 2005, the consulting firm of Deloitte was hired to work with the Steering Committee and provide expertise and advice on how to manage this transition.

Over the course of the summer and fall, the consultants met with representatives of government departments and agencies, including public schools, to review the current accounting structures and practices, and to assist with the development of an implementation plan.

They have noted that the GRE, reviewed and expanded for 2005/06, includes several new entities, and significant changes are required to fully implement summary budgeting and reporting for 2007/08. In particular, Manitoba's public school divisions report on the FRAME (Financial Reporting and Accounting in Manitoba Education) basis of accounting, and it is not possible to generate GAAP-compliant information for them in the short term. Ensuring that public schools financial reporting becomes fully compliant will entail much work over the next two years. Personnel and system resources to address these issues will be required during the transition to summary budgeting and reporting for 2007/08. The consultants are completing a step-by-step approach to meet the challenges of summary budgeting and reporting. The consultants also noted that Manitoba's legislation governing financial management and reporting will need to be updated to reflect the new standards.

Beyond Summary Budget issues, evolving PSAB standards mean additional information will be included in the Financial Statements for 2005/06, which will be released later this year. Section 4 of this Budget Paper includes information on environmental liabilities and the new GRE.

The information presented in this Budget Paper will, for the most part, be consistent with the presentation format found in the 2005 Budget Paper.

## The Summary Budget and the Operating Fund

The Summary Budget projects the financial results of the entire provincial Government Reporting Entity (see Glossary of Terms, Page B37). It encompasses not only the core operations and activities of government, but also the results of Crown enterprises like Manitoba Hydro and Manitoba Public Insurance, and other entities such as the University of Manitoba, health care institutions, community colleges and child welfare agencies. Public schools are not included in this presentation, but are scheduled to be in the future.

The purposes and the mandates of the entities included in the GRE are generally set by legislation and the operations are directed by independent boards. It is extremely difficult or not practical for government to respond immediately to financial set-backs resulting from, for example, the effect of severe weather conditions on Manitoba Hydro, or the Manitoba Agricultural Services Corporation (MASC). In some cases, revenue-related adjustments such as auto insurance premium and hydro-electricity rate increases are subject to review by the Public Utilities Board. Even though the government maintains a balance between revenues and expenditures for its departmental and other core operations, should a Crown organization or enterprise realize abnormal adverse results, it could negatively affect the Summary results and, perhaps, create a Summary deficit.

Current balanced budget legislation (BBL) only addresses the Operating Fund, which is under the direct control of the government through the budget process. Unfavourable results in revenue generation can be offset by expenditure reductions, revenue rate adjustments, interfund transfers or other temporary measures.

As the Manitoba government moves toward making the Summary Budget the primary budget reporting tool, it must develop a balanced budget test that credibly and appropriately reflects the goals of maintaining a balance of financial responsibility and discipline to protect essential services along with stable and competitive tax rates.

At present the government is required, by legislation, to present a budget and report financial results for the Operating Fund. The 2006 Budget, however, provides a forecast of summary financial results of the GRE (excluding public schools). This Budget Paper also reports on the financial results of core government operations and its financial position, as well as providing detail with respect to the government's Budget for the coming fiscal year and for the medium term.

This Budget Paper is divided into four sections.

## Section 1

This section provides Summary Budget statements that incorporate results and plans for the consolidated operations of the government, including the operations of government enterprises and Crown organizations, as well as changes in pension liabilities. It also provides Operating Fund result projections for the years 2006/07 through 2009/10, consistent with the presentation in last year's Budget Paper.

## Section 2

This section provides information on the core functions of the government specifically required by the Legislature. This includes estimates of operating expenditure, operating revenue and balances under BBL, as well as capital investment and loan authority. Section 2 summarizes the Estimates of Revenue and the Estimates of Expenditure that are voted upon by the Legislature. BBL provides specific mechanisms for the stabilization of provincial finances and repayment of debt through the Debt Retirement Fund. Information on provincial borrowings and on the Manitoba Financial Statistics have been revised to provide the reader with a clearer understanding of the various components of the government's obligations. A Glossary of Terms has been provided in Section 3 to assist the reader.

## Section 3

This section provides additional financial information on the Operating Fund. The Financial Statistics pages present a multi-year summary of the Operating Fund financial results and include ratios with respect to Gross Domestic Product and per capita information. A new Summary Net Debt presentation has been developed which presents a more comprehensive view of debt. This section also includes a Glossary of Terms that explains the terms used in this Budget Paper. Interprovincial comparisons are provided with respect to health and total program expenditures, debt servicing costs and debt. It is expected that Section 3 will undergo changes next year to reflect the government's Summary Budget presentation.

## Section 4

This section provides a summary of the progress government has made in its budgeting and reporting. These improvements reflect its commitment to greater transparency and to meeting the standards of reporting advanced by PSAB. A brief note explains environmental liabilities and the anticipated accounting treatment of excluding public schools from the GRE over the next two years.

*Note: The forecast results for 2005/06 presented in this Budget are based on the province's Third Quarter Financial Report.*

Interested parties are encouraged to access all the reports of the Government of Manitoba which are provided for the information of the Legislature and the public. Links may be found on the internet at http://www.gov.mb.ca/finance.

# REPORT ON SUMMARY BUDGET PROJECTION AND OPERATING FUND RESULTS

The Summary Budget presents Manitobans with a picture of the financial activities of the GRE (excluding public schools). It provides information on the balance under BBL, the changes in the balances of Special Funds, net contributions of government enterprises and Crown organizations, and changes in pension liability and pension fund assets.

The Operating Fund balance, along with the necessary transfers to or from the Debt Retirement Fund and the Fiscal Stabilization Fund, yield the balance under BBL. Positive balances must be transferred to the Fiscal Stabilization Fund.

For the purpose of calculating the Summary Budget Forecast, the following items must be included to arrive at Summary Net Income:

- total changes in Special Funds;
- contributions of government enterprises and Crown organizations;
- consolidation adjustments; and
- pension items.

These adjustments are explained in the pages following the Medium-Term Summary Budget Projection table.

## 2005/06 Forecast Results

Note: The forecast results for 2005/06 presented in this Budget are based on the province's Third Quarter Financial Report.

A positive $26 million result is forecast for the Operating Fund in 2005/06, down $86 million from the 2005 Budget projection.

Own-source revenue is forecast to be $123 million higher than Budget levels, and federal transfers are forecast to be $65 million higher as a result of a partial recovery of expenditures under the disaster financial assistance agreement as well as contributions related to the child care agreement signed with the federal government. In total, revenue is forecast to be $189 million higher than budgeted.

In total, expenditure is projected to be $275 million higher than budget. Unanticipated expenditures associated with flooding, heavy rains and wind storms during the spring and early summer for disaster assistance programs and the Canadian Agricultural Income Stabilization (CAIS) program are forecast to total $105 million; health expenditures are up $87 million over the Budget projection including $18 million in expenditures for wait time reduction programming.

Cost pressures in the Departments of Family Services and Housing (primarily for services for persons with disabilities), in Advanced Education and Training (for universities), as well as higher road maintenance and winter road costs are forecast to exceed Budget projection by $40 million.

The year-end positive balance for 2005/06 is forecast to be consistent with the budgeted level after a draw from the Fiscal Stabilization Fund of up to $68 million for general requirements and $18 million for wait time reduction programs.

Manitoba's government enterprises and other Crown organizations, led by Manitoba Hydro, are expected to generate net profits of $830 million in 2005/06, $116 million more than budgeted. Once consolidation adjustments are factored in, their contribution to Summary Net Income is expected to be $348 million. The financial performance of these Crown enterprises underlines their importance to the province's summary financial position.

In 2005/06, Summary Net Income is expected to be $251 million, or $55 million more than projected in the 2005 Budget.

## Summary Comparative Statement, 2005/06

| | 2005/06 Budget | 2005/06 Forecast | Difference |
|---|---|---|---|
| | | (Millions of Dollars) | |
| **Operating Fund Result** | 113 | 26 | (86) |
| **Interfund Transfers/Debt Retirement** | | | |
| Debt retirement payment | (110) | (110) | 0 |
| Fiscal Stabilization Fund | | | |
| General Requirements | 0 | 68 | 68 |
| Wait Time Reduction/Health Programming | 0 | 18 | 18 |
| **Balance under BBL/Transfer to Fiscal Stabilization Fund** | 3 | 3 | 0 |
| **Special Funds (Changes in Balance)** | | | |
| Debt Retirement Fund | 27 | 25 | (2) |
| Fiscal Stabilization Fund | 14 | (72) | (86) |
| Other | 0 | 0 | 0 |
| **Total Changes in Special Funds** | **41** | **(47)** | (88) |
| **Government Enterprises and Crown Organizations** | | | |
| Government Business Enterprises | | | |
| Manitoba Hydro | 210 | 375 | 165 |
| Manitoba Public Insurance | 8 | 46 | 38 |
| Manitoba Lotteries Corporation | 271 | 273 | 2 |
| Manitoba Liquor Control Commission | 187 | 192 | 5 |
| Special Operating Agencies | 12 | 15 | 3 |
| Manitoba Agricultural Services Corporation | (22) | (145) | (123) |
| Other Crown Organizations and Enterprises | 50 | 75 | 25 |
| Consolidation Adjustments | (475) | (482) | (7) |
| **Net Enterprises and Organizations** | **242** | **348** | 107 |
| **Net Pension Items** | **(87)** | **(51)** | 36 |
| **Summary Net Income (Summary Budget)** | **196** | **251** | 55 |

Totals may not add due to rounding.

## Medium-Term Summary Budget Projection

(Millions of Dollars)

| | 2005/06 forecast | 2006/07 Budget | FOR ILLUSTRATION 2007/08 Projection | FOR ILLUSTRATION 2008/09 Projection | FOR ILLUSTRATION 2009/10 Projection |
|---|---|---|---|---|---|
| **Revenues** | 8,365 | 8,651 | 8,911 | 9,201 | 9,539 |
| **Expenditures** | (8,339) | (8,622) | (8,842) | (9,117) | (9,452) |
| Operating Fund Result | 26 | 29 | 68 | 85 | 88 |
| **Interfund Transfers/Debt Retirement** | | | | | |
| Debt retirement payment | (110) | (110) | (110) | (110) | (110) |
| Fiscal Stabilization Fund | | | | | |
| General Requirements | 68 | 55 | 0 | (1) | (4) |
| Wait Time Reduction/Health Programming | 18 | 30 | 45 | 30 | 30 |
| **Total Interfund Transfers** | (24) | (26) | (65) | (82) | (85) |
| **Balance under BBL/Transfer to Fiscal Stabilization Fund** | 3 | 3 | 3 | 3 | 3 |
| **Special Funds (Changes in Balance)** | | | | | |
| Debt Retirement Fund | 25 | 26 | 28 | 29 | 30 |
| Fiscal Stabilization Fund | (72) | (70) | (30) | (14) | (42) |
| Other | 0 | (2) | (2) | (2) | (2) |
| **Total Changes in Special Funds** | (47) | (45) | (4) | 13 | (14) |
| **Government Enterprises and Crown Organizations** | | | | | |
| Government Business Enterprises | | | | | |
| Manitoba Hydro | 375 | 222 | 123 | 132 | 135 |
| Manitoba Public Insurance | 46 | 10 | 10 | 11 | 9 |
| Manitoba Lotteries Corporation | 273 | 267 | 267 | 267 | 267 |
| Manitoba Liquor Control Commission | 192 | 196 | 201 | 206 | 211 |
| Special Operating Agencies | 15 | 14 | 15 | 15 | 15 |
| Manitoba Agricultural Services Corporation | (145) | (3) | 5 | 8 | 8 |
| Other Crown Organizations and Enterprises | 75 | 41 | 45 | 46 | 46 |
| Consolidation Adjustments | (482) | (481) | (488) | (493) | (499) |
| **Net Enterprises and Organizations** | 348 | 265 | 177 | 191 | 193 |
| Pension Expense for Unfunded Liability | (195) | (197) | (199) | (201) | (203) |
| Increase in Pension Assets Fund | 144 | 125 | 138 | 146 | 158 |
| **Summary Net Income (Summary Budget)** | 251 | 148 | 112 | 149 | 134 |

Totals may not add due to rounding.

2007/08 to 2009/10 are presented for illustration purposes only. This presentation will change when government fully implements Summary Budget reporting. Work has begun on this initiative as described on page B2.

## Summary Budget Projections to 2009/10

The medium-term Summary Budget projections indicate a positive balance under BBL as well as positive Summary Net Income. The steady growth in revenue projected for Manitoba is based on a forecast of continued national and provincial economic growth.

## Operating Fund

Operating fund revenue growth over the medium term is expected to average 3.3% per annum to 2009/10. Federal transfers are projected to increase by an average of 3.9%, reflecting expected growth in major transfer program entitlements under programs such as Equalization, Canada Health Transfer and Canada Social Transfer. Own-source revenues are projected to grow by an average of 3.0% in the medium term. This growth occurs against the backdrop of steady economic growth for Manitoba and Canada and incorporates announced tax reductions. According to the latest projections from the Conference Board of Canada, Manitoba's economic GDP growth will average 4.1% over the medium term.

Expenditures are projected to increase at an average annual rate of 3.1% over the medium term, a rate in excess of projected inflation and population growth.

Results for 2007/08, 2008/09 and 2009/10 are presented for illustration purposes only. The presentation of the summary projection will change when government implements Summary Budget reporting next year.

## Total Changes In Special Funds

A number of special funds have been created by the Legislature for specific purposes. The two principal ones are the Fiscal Stabilization Fund (FSF) and the Debt Retirement Fund (DRF). There are also a number of small, special-purpose funds – for example, the Mining Community Reserve Fund and the Quarry Rehabilitation Reserve – that in total have little impact on the overall balance for the summary budget.

## Contributions Of Government Enterprises and Crown Organizations

This category records the net changes in operating balances (profits or losses) of government enterprises, Crown organizations, and Special Operating Agencies (SOAs) during the fiscal year. The entities having the greatest net impact on the summary financial results are listed. The contributions of other government entities and organizations are provided in aggregate.

For the second year in a row, Manitoba Hydro profits have significantly exceeded levels projected in the provincial Budget. The abnormally high levels of rainfall that negatively impacted on emergency services operations and agricultural support programs in the Operating Fund, also provided Manitoba Hydro with more water power to generate export sales. For 2005/06, Manitoba Hydro's profits are expected to be $375 million, and $222 million for 2006/07. Profits of between $123 and $135 million are forecast for each of the three following years.

Inclement weather conditions also contributed to the sharp deterioration in the financial results of the MASC, which is forecasting a loss on operations of $145 million, six times more than the amount projected in the 2005 Budget. Assuming weather conditions more consistent with the long-term average, MASC is expected to achieve near break-even results in 2006/07, with future year results becoming positive.

Other enterprises and organizations are expected to maintain their recent average levels o contributions over the medium term.

## Consolidation Adjustments

Consolidation adjustments are made to prevent double counting of revenue or expense item between the government and its related entities, specifically:

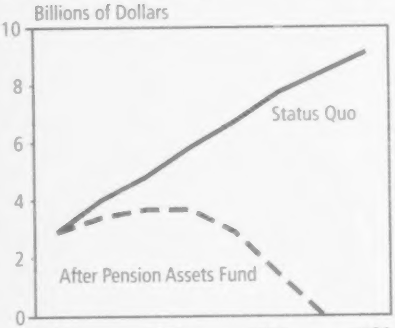
- The full amount of profits from Manitoba Lotteries Corporation and the Manitoba Liquor Contr Commission are included in Operating Fund Revenue, and so are fully included in Consolidatio Adjustments.
- Revenue-sharing payments from SOAs are included in Operating Revenue and are also deducted i this entry.

## Pension Items

Upon coming into office in 1999, a plan was put into place to retire the General Purpose Debt and to eliminate the government's pension liability. If the pension liability had not been addressed, it was projected that it would have grown to $8.4 billion by 2028.

The 2000 Budget introduced a comprehensive approach to address both debt and pension obligations, and in the 2002 Budget the plan was enhanced to reduce the term over which the pension liability will be eliminated. The plan provides a formula to determine debt and pension obligation funding, which currently is $110 million per year.

**Pension Liability Retirement**



Source: Manitoba Finance

For 2005/06, above-average investment returns in the Pension Assets Fund and an increase in contributions from departments and Crown organizations will decrease the net unfunded pension liability by $37 million from Budget projections. Over the medium term, assuming average investment earnings and an allocation from the DRF of $85 million per year, the net pension liability situation will continue to improve.

## Summary Net Income

The Summary Budget represents the financial situation for the expanded GRE. Although PSAB GAAP requires the addition of public school divisions to the GRE for fiscal year 2005/06 and later, Manitoba is unable to consolidate the results of public school operations in its Financial Statements for 2005/06 and 2006/07, as explained in Section 4.

Manitoba's Summary Net Income for 2005/06 is projected to be $251 million, an improvement of $55 million over Budget. Similar to last year, a large part of this positive balance is due to Manitoba Hydro's operating results, which help offset losses in other entities.

Summary Net Revenue for 2006/07 is projected to total $148 million, and over the period to 2009/10, assuming average results for government enterprises and Crown organizations, the outlook remains positive.

## OPERATING FUND OVERVIEW

Meeting our Commitments, Building Opportunities is what Budget 2006 is all about for the coming year. The Budget meets or exceeds commitments we have made to Manitobans and is balanced under the broad test of summary reporting and the narrower test under BBL.

Equalization payments are expected to increase in 2006/07 in line with the notification provided by the federal government in the fall of 2005. Increases in transfer programs are also included, reflecting the election commitments of the new federal government to address the fiscal imbalance. Pre-paid funds received in 2004/05 to support wait time reductions will be drawn from the Fiscal Stabilization Fund this year to further our progress on shortening waiting lists.

In Budget 2006:

- Medium-term projections indicate continued compliance with BBL for the Operating Fund and future surpluses for the Summary Budget.
- An additional $110 million will be provided to repay outstanding pension liability and General Purpose Debt. Between 1999/2000 and 2006/07, $704 million has been set aside for debt and pension payments. Debt to GDP ratios, as measured by the Dominion Bond Rating Service, declined from 38.7% in 1999/2000 to 33.9% in 2004/05. The summary Net Debt of the Province declined further in 2005/06 and is projected to decline $14 million to $10,638 million.
- In 2005/06 abnormal weather conditions put unanticipated pressure on Manitoba's finances. Flooding costs due to heavy rains reached $53 million, while Manitoba's share of payments for the CAIS program doubled to $105 million. In keeping with the Canada-Manitoba agreement on child care, an additional $21 million in federal revenue was received to meet those needs. Funds to reduce wait times – $18 million – will be withdrawn from the FSF. Forecast increases in income tax revenues, Water Power Rentals and other transfers from the federal government fall short of additional requirements in other areas, resulting in an additional draw from the FSF for general purposes of $68 million. A reduced draw of $55 million for general purposes, including infrastructure programs, road maintenance and financing, improved farmland tax support, and improved program support in key areas, is anticipated in 2006/07. A withdrawal of $30 million in prepaid health funds is proposed to address wait time reduction.
- Beginning in 2006/07, a new three-year funding plan for post-secondary education will provide increases of 5.8% to institutions, with 5.0% increases in each of the following two years. Universities will benefit from a reduction in property taxes equivalent to a further 1.2% increase. By 2008/09, colleges and universities will be receiving an extra $60 million annually.

- In 2006, the Residential Education Support Levy is eliminated, saving homeowners $34 million, while farmers will receive rebates offsetting 60% of their school taxes on farmland. In 2006, the middle income tax rate falls to 13.5% and the basic personal amount will increase by $100. In 2007, the middle rate will fall further to 13% and an additional $100 increase in the basic personal amount will be provided.
- In January 2006, the Corporation Income Tax fell to 14.5% and will fall to 14% in July 2007. Within the framework of future balanced budgets, it is anticipated that this rate will drop to 13% in July 2008. The small business rate is now 4.5%. In January 2007, the small business rate will fall to 3% – the lowest rate in Western Canada. The 2006 Budget also details a number of other tax changes we are implementing, including measures to support investment in drilling for oil and gas and to provide increased incentives for investment in equipment and property.
- Municipal governments can expect increased support through the Building Manitoba Fund, and more resources are being dedicated for infrastructure and water protection programs.
- At the end of 2006/07, the balance in the FSF is forecast to be $345 million – $119 million higher than the amount projected for March 31, 2000 in the 1999 Budget.

Budget 2006 keeps the commitments made to Manitobans, meeting obligations to reduce debt and pension liability, investing in key programs and services, providing sustainable tax reductions for individuals and business, and building opportunities for the future.

# 2005/06 FORECAST RESULTS

*Note: The forecast results for 2005/06 presented in this Budget Paper are based on the province's Third Quarter Financial Report.*

## Revenue

Revenue in 2005/06 is forecast to be $189 million, or 2.3%, higher than projected in the 2005 Budget.

Own-source revenue is expected to be $123 million higher than projected, largely reflecting stronger income tax revenue associated with a higher than forecast growth in incomes. Together, corporation and individual income tax revenue is expected to be $84 million above that projected at the time of the 2005 Budget. High water flows associated with last year's above-normal precipitation also boosted Water Power Rentals by $19 million, or 18.1%, higher than previously budgeted levels. Increased revenues from these and other sources were partly offset by lower collections elsewhere.

Total revenue from federal transfers is forecast to be $65 million, or 2.3%, above the amount projected in the 2005 Budget. This result is largely due to two factors. First, the federal government is expected to provide $46 million in disaster financial assistance to help offset Manitoba's extra emergency expenditures. Second, the agreement signed with the federal government on early learning and child care provided additional revenue of $21 million, relative to the 2005 Budget Estimates.

## Expenditure

Expenditure in 2005/06 is expected to be $275 million, or 3.4%, above 2005 Budget projections. The largest contributing factor to this was the abnormal weather conditions experienced in the province over the course of 2005, including above-average levels of precipitation, widespread flooding, drought and severe windstorms. Emergency expenditures are forecast to be $51 million higher than budgeted. As well, support for Manitoba farmers through the CAIS program is expected to be higher by $52 million. Higher than budgeted expenditures were also reported by the departments of Health ($87 million), Family Services and Housing ($16 million), and Transportation and Government Services ($12 million).

Unallocated debt servicing costs are forecast to be $269 million in 2005/06, unchanged from the 2005 Budget projection.

## Net Revenue

After accounting for higher revenue and expenditure, net revenue is expected to be $26 million, down $86 million from the figure projected in the 2005 Budget.

## Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2005/06

| | 2005/06 Forecast | 2005/06 Budget | Increase/(Decrease) From Budget to Forecast | |
|---|---|---|---|---|
| | (Millions of Dollars) | | (Millions of Dollars) | % |
| **Revenue** | | | | |
| Taxation | 4,631 | 4,537 | 94 | 2.1 |
| Other | 873 | 843 | 30 | 3.5 |
| Total Own Source | 5,504 | 5,380 | 123 | 2.3 |
| Federal Transfers | 2,862 | 2,796 | 65 | 2.3 |
| **Total Revenue** | 8,365 | 8,177 | 189 | 2.3 |
| **Expenditure** | | | | |
| Program | 8,070 | 7,795 | 275 | 3.5 |
| Debt Servicing | 269 | 269 | 0 | |
| **Total Expenditure** | 8,339 | 8,064 | 275 | 3.4 |
| **Net Revenue/(Expenditure)** | 26 | 113 | (86) | (76.1) |
| **Debt/Pension Repayment** | (110) | (110) | 0 | |
| **Fiscal Stabilization Fund** | | | | |
| General Requirements | 68 | 0 | 68 | |
| Health Wait Time Programs | 18 | 0 | 18 | |
| **Balance under BBL** | 3 | 3 | 0 | |

Totals may not add due to rounding.

## Balance under Balanced Budget Legislation

The balance under BBL is forecast to be $3 million in 2005/06, in line with the 2005 Budget projection. This result includes $110 million for the repayment of debt and retirement of pension liabilities, and a draw from the FSF of up to $68 million for general programs and $18 million for wait time reduction programs.

## 2006/07 BUDGET

### Revenue

Revenue in 2006/07 is projected to be $290 million, or 3.5%, higher than forecast for 2005/06. Own-source revenue is expected to grow by $152 million, or 2.8%, even with our government's commitment to reduce personal income and business taxes. Manitoba's continued robust economic performance is expected to generate higher incomes, more jobs and continued investment. Federal transfers are expected to grow by $138 million, or 4.8%, in line with commitments on Equalization and health and social transfers.

### Expenditure

Total budgetary expenditure is projected to be $286 million, or 3.4%, more than forecast for 2005/06. The largest departmental increases are budgeted for Health ($149 million or 4.3%), and Education and Advanced Education ($96 million or 5.5%). Substantial savings are expected in the Agriculture, Food and Rural Initiatives Department as the negative impacts of BSE, floods and adverse weather conditions subside.

### Net Revenue

After accounting for higher revenue and expenditure, net revenue is projected to be $29 million, about the same as forecast for the current year.

### Balance under Balanced Budget Legislation

The balance under BBL is forecast to be $3 million in 2006/07. This result includes $110 million for the repayment of debt and retirement of pension liabilities, as well as a draw from the FSF of up to $55 million for general programs and $30 million for wait time reduction programs.

## Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2006/07 and 2005/06

| | 2006/07 Budget | 2005/06 Forecast | 2005/06 Budget | Increase/ (Decrease) from 2005/06 Budget to 2006/07 Budget | | Increase/ (Decrease) from 2005/06 Forecast to 2006/07 Budget | |
|---|---|---|---|---|---|---|---|
| | | (Millions of Dollars) | | (Millions of Dollars) | % | (Millions of Dollars) | % |
| **Revenue** | | | | | | | |
| Taxation | 4,786 | 4,631 | 4,537 | 248 | 5.5 | 155 | 3.3 |
| Other | 866 | 868 | 831 | 34 | 4.1 | (3) | (0.3) |
| Total Own Source | 5,651 | 5,499 | 5,369 | 282 | 5.3 | 152 | 2.8 |
| Federal Transfers | 3,000 | 2,862 | 2,796 | 204 | 7.3 | 138 | 4.8 |
| **Total Revenue** | 8,651 | 8,361 | 8,165 | 486 | 6.0 | 290 | 3.5 |
| **Expenditure** | | | | | | | |
| Program | 8,405 | 8,082 | 7,862 | 543 | 6.9 | 323 | 4.0 |
| Budgeted Lapse | (65) | (15) | (65) | - | - | (50) | - |
| Debt Servicing | 282 | 269 | 269 | 13 | 4.8 | 13 | 4.8 |
| **Total Expenditure** | 8,622 | 8,336 | 8,066 | 556 | 6.9 | 286 | 3.4 |
| Net Revenue/ (Expenditure) | 29 | 25 | 99 | (70) | (70.8) | 4 | 16.6 |
| Debt/Pension Repayment | (110) | (110) | (110) | 0 | | 0 | |
| **Fiscal Stabilization Fund** | | | | | | | |
| General Requirements | 55 | 68 | 0 | 55 | | (13) | |
| Health Wait Time Programs | 30 | 18 | 0 | 30 | | 12 | |
| Restatement Adjustment * | 0 | 2 | 14 | (14) | | 2 | |
| **Balance under Balanced Budget Legislation** | 3 | 3 | 3 | 0 | | 0 | |

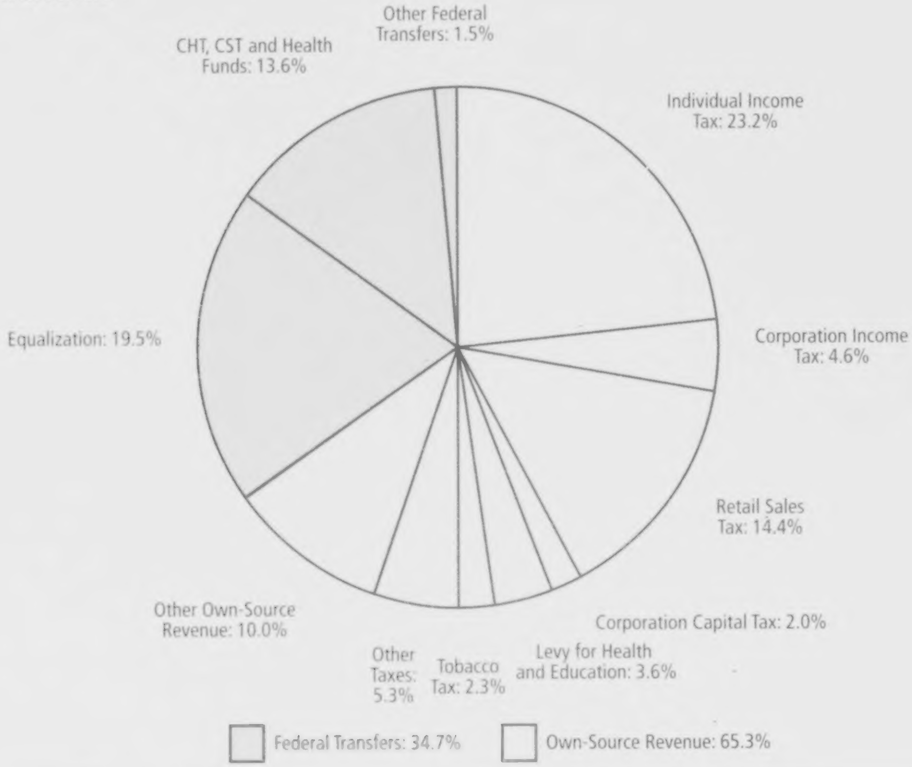
* The 2005/06 financial information has been restated to be consistent with the 2006/07 Estimates structure. Adjustments to 2005/06 Budget include a decrease of $12 million in own source revenue related to the cottaging initiative and a net increase of $2 million in expenditures comprised of $4 million for an adjustment to amortization for infrastructure assets and a decrease of $2 million for the cottaging initiative. Adjustments to 2005/06 Forecast include a decrease of $5 million in revenue and a decrease in expenditure of $3 million for the cottaging initiative. Adjustments to the cottaging initiative are to reflect amendments to GAAP to include inventory accounting.

Totals may not add due to rounding.

## Provincial Revenue, 2006/07

Major Sources

Per cent of Total



## Revenue by Source

2006/07 and 2005/06

| | 2006/07 Budget | 2005/06 Forecast[1] | Change 2006/07 from 2005/06 Forecast |
|---|---|---|---|
| | (Millions of Dollars) | | (Millions of Dollars) |
| Total Taxation | 4,786 | 4,631 | 155 |
| Other Revenue | 866 | 868 | (3) |
| Own-Source Revenue | 5,651 | 5,499 | 152 |
| Government of Canada | 3,000 | 2,862 | 138 |
| **Total Revenue** | **8,651** | **8,361** | **290** |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

Totals may not add due to rounding.

## Revenue Estimates

(Thousands of Dollars)

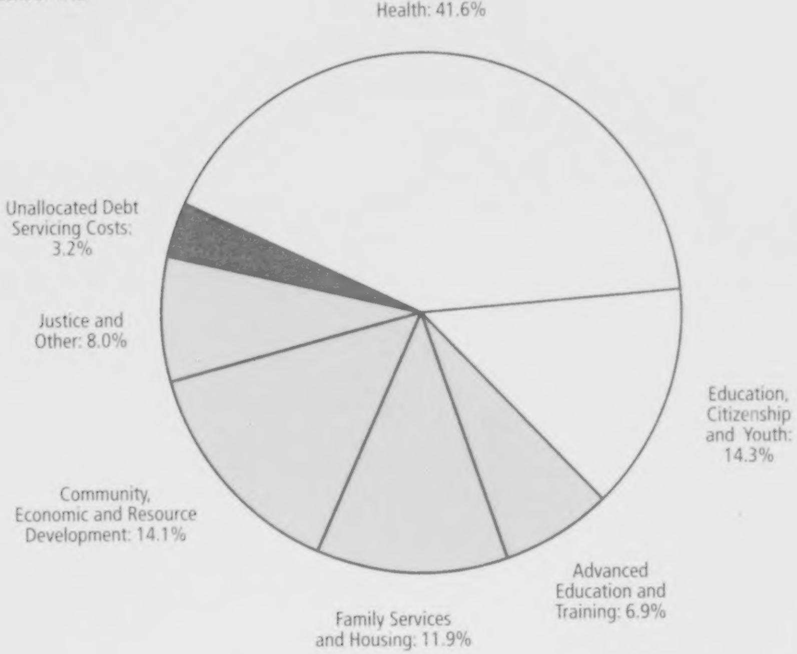
| | 2006/07 Budget | 2005/06 Forecast[1] | 2005/06 Budget[1] | Per cent Change 2006/07 from | |
|---|---|---|---|---|---|
| | | | | 2005/06 Budget | 2005/06 Forecast |
| **■ Own-Source Revenue** | | | | | |
| **Income Taxes** | | | | | |
| • Individual Income Tax | 2,004,200 | 1,948,701 | 1,876,900 | | |
| • Corporation Income Tax | 396,100 | 377,606 | 365,600 | | |
| Subtotal | 2,400,300 | 2,326,307 | 2,242,500 | 7.0 | 3.2 |
| **Taxes, Levies and Collections** | | | | | |
| • Corporation Capital Tax | 174,600 | 167,500 | 167,500 | | |
| • Gasoline Tax | 155,300 | 154,500 | 155,500 | | |
| • Insurance Corporations Tax | 59,500 | 57,605 | 54,000 | | |
| • Land Transfer Tax | 32,600 | 29,810 | 24,000 | | |
| • Levy for Health and Education | 312,100 | 299,300 | 294,300 | | |
| • Mining Tax | 41,000 | 50,000 | 57,200 | | |
| • Motive Fuel Tax | 80,500 | 81,000 | 78,000 | | |
| • Oil and Natural Gas Tax | 5,176 | 4,521 | 2,720 | | |
| • Retail Sales Tax | 1,244,100 | 1,185,800 | 1,180,800 | | |
| • Revenue Act, 1964, Part 1 | 82,200 | 79,800 | 73,800 | | |
| • Tobacco Tax | 195,000 | 191,700 | 203,700 | | |
| • Other Taxes | 3,272 | 3,272 | 3,272 | | |
| Subtotal | 2,385,348 | 2,304,808 | 2,294,792 | | |
| **Total Taxation Revenue** | **4,785,648** | **4,631,115** | **4,537,292** | 5.5 | 3.3 |
| **Fees and Other Revenue** | | | | | |
| • Fines and Costs and Other Legal | 38,311 | 34,692 | 33,859 | | |
| • Minerals and Petroleum | 8,337 | 11,693 | 6,495 | | |
| • Automobile and Motor Carrier Licences and Fees | 97,998 | 97,998 | 97,998 | | |
| • Drivers' Licences | 17,916 | 17,916 | 17,916 | | |
| • Water Power Rentals | 106,000 | 124,000 | 105,000 | | |
| • Parks, Forestry, and Other Conservation | 32,913 | 28,436 | 27,203 | | |
| • All Other Manitoba Collections | 80,686 | 70,597 | 67,910 | | |
| Subtotal | 382,161 | 385,332 | 356,381 | | |
| **Crown Corporations/Entities** | | | | | |
| • Manitoba Lotteries Corporation | 267,000 | 273,000 | 271,000 | | |
| • Manitoba Liquor Control Commission | 196,000 | 191,700 | 187,000 | | |
| • Other | 20,395 | 18,070 | 17,005 | | |
| Subtotal | 483,395 | 482,770 | 475,005 | | |
| **Total Other Revenue** | **865,556** | **868,102** | **831,386** | 4.1 | (0.3) |
| **■ Federal Transfers** | | | | | |
| • Equalization | 1,690,300 | 1,601,018 | 1,601,000 | | |
| • Canada Health Transfer (CHT) | 765,300 | 725,813 | 726,400 | | |
| • Canada Social Transfer (CST) | 369,060 | 319,956 | 320,100 | | |
| • Child Care | 23,683 | 25,612 | 5,000 | | |
| • Health Funds | 19,781 | 24,528 | 26,452 | | |
| • Other Transfers | 131,708 | 164,598 | 117,370 | | |
| **Total Federal Transfers** | **2,999,832** | **2,861,525** | **2,796,322** | 7.3 | 4.8 |
| **■ Total Budgetary Revenue** | **8,651,036** | **8,360,742** | **8,165,000** | 6.0 | 3.5 |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

## Provincial Operating Expenditure, 2006/07

Major Categories

Per cent of Total



## Program Expenditure Estimates

2006/07 and 2005/06

| | 2006/07 Budget | 2005/06 Forecast[1] | Change 2006/07 from 2005/06 Forecast |
|---|---|---|---|
| | (Millions of Dollars) | | (Millions of Dollars) |
| Health | 3,607 | 3,458 | 149 |
| Advanced Education and Training | 596 | 566 | 31 |
| Education, Citizenship and Youth | 1,245 | 1,180 | 65 |
| Family Services and Housing | 1,034 | 985 | 49 |
| Other Departments | 1,922 | 1,893 | 29 |
| **Total Program Expenditure Estimates** | **8,405** | **8,082** | **323** |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

Totals may not add due to rounding.

# Operating Expenditure Estimates

(Thousands of Dollars)

| | 2006/07 Budget | 2005/06 Forecast[1] | 2005/06 Budget[1] | Per cent Change 2006/07 from | |
|---|---|---|---|---|---|
| | | | | 2005/06 Budget | 2005/06 Forecast |
| ■ **Health** | 3,606,901 | 3,458,183 | 3,389,294 | 6.4 | 4.3 |
| ■ **Education** | | | | | |
| • Advanced Education and Training | 596,417 | 565,555 | 558,244 | | |
| • Education, Citizenship and Youth | 1,245,270 | 1,180,091 | 1,185,356 | | |
| **Total Education** | 1,841,687 | 1,745,646 | 1,743,600 | 5.6 | 5.5 |
| ■ **Family Services and Housing** | 1,034,451 | 985,024 | 972,199 | 6.4 | 5.0 |
| ■ **Community, Economic and Resource Development** | | | | | |
| • Aboriginal and Northern Affairs | 33,984 | 32,940 | 32,940 | | |
| • Agriculture, Food and Rural Initiatives | 181,095 | 218,287 | 174,453 | | |
| • Conservation | 113,567 | 107,189 | 108,218 | | |
| • Energy, Science and Technology | 60,151 | 58,433 | 58,807 | | |
| • Industry, Economic Development and Mines | 29,184 | 33,942 | 29,210 | | |
| • Intergovernmental Affairs and Trade | 251,418 | 223,014 | 222,262 | | |
| • Transportation and Government Services | 408,353 | 400,560 | 393,389 | | |
| • Water Stewardship | 50,306 | 47,960 | 48,468 | | |
| • Enabling Appropriations | 71,708 | 46,047 | 16,530 | | |
| • Other Appropriations | 25,805 | 76,410 | 25,805 | | |
| **Total Community, Economic and Resource Development** | 1,225,571 | 1,244,782 | 1,110,082 | 10.4 | (1.5) |
| ■ **Justice and Other Government** | | | | | |
| • Legislative Assembly | 28,925 | 27,368 | 26,620 | | |
| • Executive Council | 2,633 | 2,602 | 2,602 | | |
| • Civil Service Commission | 5,009 | 4,336 | 4,659 | | |
| • Culture, Heritage and Tourism | 71,202 | 69,723 | 69,941 | | |
| • Employee Pensions and Other Costs | 80,215 | 74,598 | 74,255 | | |
| • Finance | 102,009 | 98,837 | 101,094 | | |
| • Healthy Child Manitoba | 25,831 | 24,614 | 24,914 | | |
| • Justice | 297,906 | 288,561 | 285,733 | | |
| • Labour and Immigration | 35,268 | 31,372 | 31,194 | | |
| • Manitoba Seniors and Healthy Aging Secretariat | 1,130 | 921 | 921 | | |
| • Sport | 11,415 | 11,154 | 11,155 | | |
| • Enabling Appropriations | 35,050 | 14,342 | 14,174 | | |
| **Total Justice and Other Government** | 696,593 | 648,428 | 647,262 | 7.6 | 7.4 |
| ■ **Total Program Expenditures** | 8,405,203 | 8,082,063 | 7,862,437 | 6.9 | 4.0 |
| ■ **Unallocated Debt Servicing Costs** | 282,000 | 268,984 | 268,984 | 4.8 | 4.8 |
| ■ **Total Expenditure Estimates** | 8,687,203 | 8,351,047 | 8,131,421 | 6.8 | 4.0 |
| ■ **Less: Year-End Lapse** | (65,000) | (15,000) | (65,000) | | |
| ■ **Total Budgetary Expenditure** | 8,622,203 | 8,336,047 | 8,066,421 | 6.9 | 3.4 |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

# SPECIAL FUNDS BALANCES

## Fiscal Stabilization Fund

The presentation of the FSF balance has been modified to reflect the deposit into the Fund of $210 million in pre-funding of health programming in 2004/05. The Fund will now report on health programs and general programs component revenues, expenditures and balances.

The FSF is projected to have a total balance of $414 million as at March 31, 2006, after a draw of $68 million for general requirements and $18 million for wait time reduction programming. The health programs component balance will be $198 million, while the general programs component will end 2005/06 with a $216 million balance.

The budgeted draw in 2006/07 is $55 million for general requirements and $30 million for wait time reduction programming. The health programs component balance at March 31, 2007 is budgeted at $174 million. The general programs component will end 2006/07 with a $171 million balance.

## Fiscal Stabilization Fund Revenue, Expenditure and Balance

Projection as at March 31, 2007 and March 31, 2006

| | 2006/07 Budget | 2005/06 Forecast |
|---|---|---|
| | (Millions of Dollars) | |
| **Total Fund Balance, Beginning of Year** | 414 | 486 |
| **Health Programs** | | |
| Fund Balance, Beginning of Year | 198 | 210 |
| Interest Earnings | 6 | 6 |
| Transfer from/(to) the Operating Fund | | |
| Wait Time Reduction Programming | (30) | (18) |
| Other Health Related Programming | - | - |
| Fund Balance, End of Year | 174 | 198 |
| **General Programs** | | |
| Fund Balance - Beginning of Year | 216 | 276 |
| Interest Earnings | 6 | 6 |
| Transfer from/(to) the Operating Fund | | |
| Year-end Positive Balance | 3 | 3 |
| General Requirements | (55) | (68) |
| Fund Balance, End of Year | 171 | 216 |
| **Total Fund Balance, End of Year** | 345 | 414 |

Totals may not add due to rounding.

## Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Retirement and Taxpayer Accountability Act*, a $110 million deposit to the DRF is required in 2005/06. In 2006/07, a deposit of $110 million will be made to the Fund.

As required by legislation, the Fund was collapsed in 2004/05, leaving a nil balance at the beginning of 2005/06. The Allocation Committee has determined that $85 million of the deposit will be transferred to the Pension Assets Fund, leaving a balance of $25 million at March 31, 2006.

Interest earnings for 2006/07 are expected to be approximately $1 million.

For 2006/07 it is assumed that the allocation will be $85 million to pension liability.

## Debt Retirement Fund
## Revenue, Expenditure and Balance

Projection as at March 31, 2007 and March 31, 2006

| | 2006/07 Budget | 2005/06 Forecast |
|---|---|---|
| | (Millions of Dollars) | |
| **Fund Balance, Beginning of Year** | 25 | - |
| **Revenue** | | |
| Transfer from Operating Fund | 110 | 110 |
| Interest | 1 | - |
| | 111 | 110 |
| **Expenditure** | | |
| Transfer to Pension Assets Fund | (85) | (85) |
| Transfer to Sinking Fund | - | - |
| **Fund Balance, End of Year** | 51 | 25 |

## Pension Assets Fund

It is anticipated that $85 million will be allocated to the Pension Assets Fund for 2006/07.

The Fund will have net investment earnings of $51 million in 2005/06. The Budget projects a return of $32 million in 2006/07.

The Fund is expected to have a balance of $651 million by the end of the 2006/07 fiscal year.

## Pension Assets Fund
## Receipts, Expenditure and Balance

Projection as at March 31, 2007 and March 31, 2006

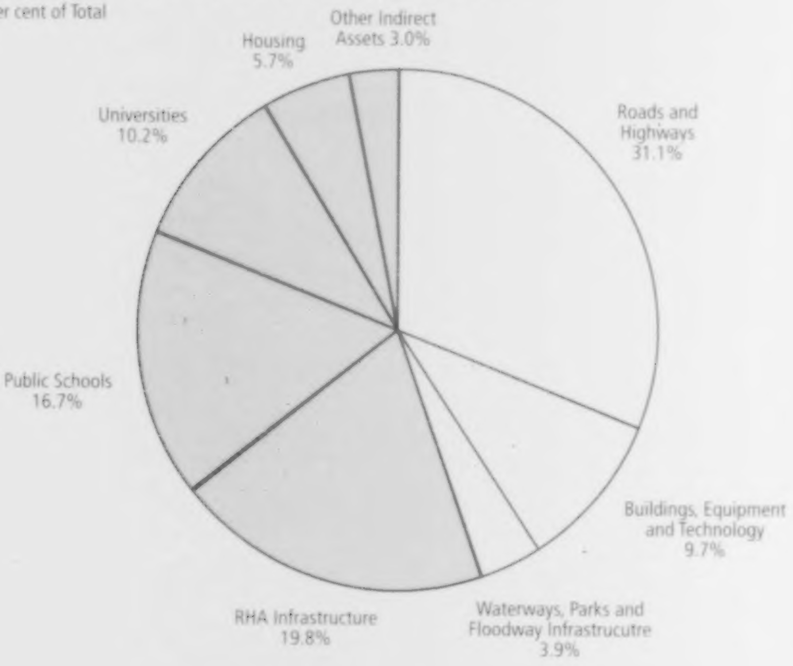
|  | 2006/07 Budget | 2005/06 Forecast |
|---|---|---|
|  | (Millions of Dollars) |  |
| **Fund Balance, Beginning of Year** | 526 | 382 |
| **Contributions** |  |  |
| Debt Retirement Fund | 85 | 85 |
| Net Investment Earnings | 32 | 51 |
| Departments and Crown Corporations | 8 | 8 |
|  | 125 | 144 |
| **Fund Balance, End of Year** | 651 | 526 |

## CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS

ver the years, Manitoba's communities and the economy have benefited from many investments in eneral assets such as schools, health facilities and public service buildings, as well as infrastructure ssets such as roads, water control structures and parks. These assets have contributed to vital public rvices, including learning, health, physical access and electronic access to other government ograms, as well as providing the infrastructure for economic and community development. The ublic good provided by these investments is immeasurable; however, it is estimated that the insured r replacement value of these investments exceeds $25 billion, an increase of $2 billion.

### eplacement Value of Public Assets[1]

r cent of Total



Total Value: $25.1 billion

lote 1: Excludes municipal assets and government enterprises such as Manitoba Hydro

▨ Indirect Provincial Assets: 55.4% ☐ Direct Provincial Assets: 44.6%

otals may not add due to rounding.

## CAPITAL INVESTMENT

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2006/07 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. Capital grants are also provided to third parties such as municipalities, schools and universities as contributions toward capital projects. In total, costs related to capital assets are estimated at $452 million in 2006/07, an increase of $32 million from 2005/06.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals $322 million in 2006/07, an increase of $96 million from 2005/06, largely due to $52 million for floodway expansion, $20 million for increased investment in provincial roads and highways, and $14 million for investment in provincially owned buildings and equipment.

### Capital Grants and Costs Related to Capital Assets, 2006/07

(Thousands of Dollars)

| | 2006/07 Budget | 2005/06 Budget[1] |
|---|---|---|
| Capital Grants | 251,142 | 227,217 |
| Infrastructure Assets | 139,607 | 134,739 |
| General Assets | 60,903 | 58,002 |
| | **451,652** | **419,958** |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

## Capital Investment, 2006/07

Thousands of Dollars)

| | 2006/07 Budget | 2005/06 Budget[1] |
|---|---|---|
| **General Assets** | | |
| Government Services Capital Projects | 23,442 | 15,564 |
| Transportation Equipment and Other Capital | 20,394 | 13,945 |
| nformation Technology Projects | | |
| Corporate Information Technology Projects | 18,675 | 9,238 |
| Transportation and Government Services | 2,581 | 3,280 |
| Finance | 2,479 | 344 |
| Family Services and Housing | 1,865 | 2,341 |
| Health | 1,275 | 3,583 |
| Advanced Education and Training | - | 3,538 |
| Other Projects | 2,099 | 3,032 |
| Other Equipment and Buildings | 3,023 | 2,924 |
| | 75,833 | 57,789 |
| **Infrastructure Assets** | | |
| Manitoba Floodway Expansion | 108,423 | 56,100 |
| Provincial Roads, Highways and Airport Infrastructure | 116,343 | 95,893 |
| Parks, Cottage and Camping Projects | 10,790 | 6,351 |
| Water Stewardship Projects | 10,425 | 8,000 |
| Other Infrastructure Projects | - | 2,000 |
| | 245,981 | 168,344 |
| **Total Capital Investment** | **321,814** | **226,133** |

Note 1: The 2005/06 information has been adjusted to be consistent with the 2006/07 Estimates structure.

## LOAN ACT REQUIREMENTS

The following table reflects expenditure authority to be included in *The Loan Act, 2006.*

### Incremental Capital Authority Requirements for Non-Budgetary Programs, 2006/07

(Thousands of Dollars)

The Loan Act, 2006

| | |
|---|---|
| Manitoba Agricultural Services Corporation | 98,252 |
| Health Capital Program | 27,163 |
| Manitoba Student Financial Assistance Program | 21,298 |
| Manitoba Housing and Renewal Corporation | 10,575 |
| Manitoba Industrial Opportunities Program | 9,822 |
| The Manitoba Water Services Board | 9,700 |
| Special Operating Agencies Financing Authority - Fleet Vehicles Agency | 8,300 |
| Rural Economic Development Initiatives | 5,114 |
| Communities Economic Development Fund | 3,800 |
| Venture Manitoba Tours Ltd | 250 |
| Manitoba Potash Corporation | 125 |
| | 194,399 |

### Non-Budgetary Capital Program, 2006/07

(Thousands of Dollars)

| | |
|---|---|
| Manitoba Hydro | 677,000 |
| Health Capital Program | 248,743 |
| Manitoba Agricultural Services Corporation | 118,100 |
| University of Manitoba | 75,000 |
| Manitoba Lotteries Corporation | 51,200 |
| Manitoba Industrial Opportunities Program | 49,450 |
| Manitoba Housing and Renewal Corporation | 43,571 |
| Manitoba Student Financial Assistance Program | 38,900 |
| Manitoba Opportunities Fund | 36,000 |
| The Manitoba Water Services Board | 26,480 |
| Special Operating Agencies Financing Authority - Fleet Vehicles Agency | 12,000 |
| Diagnostic Services Manitoba | 10,606 |
| Communities Economic Development Fund | 10,000 |
| Miscellaneous Corporations, Agencies and Other Programs | 9,591 |
| | 1,406,641 |

## BORROWING REQUIREMENTS

Manitoba's borrowing requirements in respect of both general and self-sustaining borrowings are estimated to total $2.8 billion in 2006/07, of which $2.2 billion is required for refinancing purposes. The remainder is required for capital investments including the Red River Floodway Expansion, and self-sustaining programs including those of Manitoba Hydro and the University of Manitoba. Incremental capital authority requirements totalling $194 million are provided by *The Loan Act, 2006*. The debt guarantee fee has been adjusted to 1.0% for Manitoba Hydro to reflect the value of provincial borrowing on its behalf.

### Borrowing Requirements

(Thousands of Dollars)

| | Refunding 2006/07 | New Cash Requirements 2006/07 | Estimated Repayments 2006/07 | Borrowing Requirements 2006/07 |
|---|---|---|---|---|
| General Purpose Borrowings | 1,482,212 | - | - | 1,482,212 |
| Capital Investments General Assets | - | 39,000 | - | 39,000 |
| Capital Investments Infrastructure Assets | - | 114,000 | - | 114,000 |
| Manitoba Hydro | 657,420 | 280,000 | - | 937,420 |
| Health Facilities | 40,000 | 96,000 | 49,636 | 86,364 |
| University of Manitoba | - | 75,000 | 2,000 | 73,000 |
| Manitoba Lotteries Corporation | - | 29,700 | 19,000 | 10,700 |
| Manitoba Agricultural Services Corporation | - | 75,000 | 70,000 | 5,000 |
| Fleet Vehicles Agency | - | 7,635 | 5,720 | 1,915 |
| Manitoba Housing and Renewal Corporation | - | 16,000 | 16,000 | - |
| Manitoba Student Financial Assistance Program | - | 15,000 | 15,000 | - |
| Other Crown Organizations | - | -34,665 | 22,280 | 12,385 |
| | **2,179,632** | **782,000** | **199,636** | **2,761,996** |

# Statement of Provincial Borrowings, Guarantees and Obligations

(Thousands of Dollars) *Unaudited*

As at December 31, 2005 (with comparative figures for March 31, 2005)

| | Canadian Dollar Valuation (Note 1) December 31, 2005 | Canadian Dollar Valuation (Note 1) March 31, 2005 | Increase (Decrease) December 31, 2005 over March 31, 2005 |
|---|---|---|---|
| **Provincial Borrowings Payable in:** | | | |
| Canadian Dollars | 13,253,720 | 13,426,149 | (172,429) |
| Issues Hedged to Canadian Dollars | 3,380,914 | 2,946,914 | 434,000 |
| U.S. Dollars | 2,218,766 | 2,056,320 | 162,446 |
| Issues Hedged to U.S. Dollars | 616,705 | 884,160 | (267,455) |
| **Subtotal Provincial Borrowings** | **19,470,105** | **19,313,543** | **156,562** |
| **Guarantees and Obligations Payable in:** | | | |
| Canadian Dollars | 1,227,088 | 1,396,010 | (168,922) |
| U.S. Dollars | 0 | 0 | 0 |
| **Subtotal Guarantees and Obligations** (Note 2) | **1,227,088** | **1,396,010** | **(168,922)** |
| Subtotal Provincial Borrowings, Guarantees and Obligations (Note 3) | 20,697,193 | 20,709,553 | (12,360) |
| Less: Sinking Fund Investments | (4,688,543) | (4,561,149) | (127,394) |
| Less: Debt Retirement Fund | 0 | 0 | 0 |
| **Total Provincial Borrowings, Guarantees and Obligations Outstanding** (Note 4) | **16,008,650** | **16,148,404** | **(139,754)** |

NOTE TO READER: Outstanding provincial borrowings will fluctuate during the fiscal year as a result of the timing of borrowing activities of the province. While current accounting standa identify Net Debt as the best presentation of a government's financial position, certain valuations used in the calculation of Net Debt are only payable at year end (see Manitoba Financi Statistics, Ten-Year Summary).

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2005 and at March 31, 2005. As at December 31, 2005, the U.S. dollar exchange rate was $1.1659 ($1.2096 at March 31, 2005).

Note 2: Includes borrowings of Manitoba Hydro which has been guaranteed by the Province, Government Enterprises and Other payables and third party debt of health care facilities.

Note 3: Provincial Borrowings and Guarantees are payable in Canadian and U.S. dollars. As at December 31, 2005, total provincial borrowings and guarantees were payable 86% in Canadian dollars and 14% in U.S. dollars. Of this total, general government program borrowings and other Crown organizations borrowings was 100% payable in Canadian dol Manitoba Hydro borrowings was payable 60% in Canadian dollars (59% at March 31, 2005) and 40% in U.S. dollars (41% at March 31, 2005).

Note 4: The above borrowings, guarantees and obligations were outstanding for the following purposes:

| | December 31, 2005 | | March 31, 2005 | |
|---|---|---|---|---|
| | ($ Thousands) | ($ Per Capita) (Note 5) | ($ Thousands) | ($ Per Capita) (Note 5) |
| General Government Programs | 6,598,923 | 5,601 | 6,594,139 | 5,605 |
| Manitoba Hydro | 6,540,036 | 5,551 | 6,615,015 | 5,623 |
| Capital Investments | 428,076 | 363 | 363,519 | 309 |
| Health Facilities | 661,761 | 562 | 738,761 | 628 |
| Government Enterprises and Other (Note 6) | 496,514 | 421 | 496,514 | 422 |
| Other Crown Organizations | 1,283,340 | 1,089 | 1,340,456 | 1,139 |
| | 16,008,650 (Note 7) | 13,587 | 16,148,404 | 13,726 |

Note 5: Per Capita data is based on population figures at October 1, 2005 and April 1, 2005 as reported by Statistics Canada.

Note 6: In 2003/04, the province, in accordance with PSAB GAAP, changed its accounting treatment for certain amounts owed to Canada and for debentures issued by certain school boards and hospitals, the debt service of which is paid with future grants from the government. Amounts owed to the federal government over time, which were previously treat as accounts payable, are now accounted for as loans payable. Debentures issued by school boards and hospitals were previously recognized as an expense over the life of the debentures as grants for debt service were made and held by the Provincial Sinking Fund and MPI. Now the obligation to fund debt principal payments is expensed in full at the t the debenture is issued. Any of these debentures held by MPI are recorded as "Loans Payable to Government Enterprises." The Government also recognized a loan payable in res of the pension liability of the Manitoba Liquor Control Commission.

Note 7: Borrowings, guarantees and obligations decreased by $139.7 million. This decrease was primarily due to the impact of a stronger Canadian dollar together with a net increase i Manitoba Hydro's sinking fund and other borrowings including matured hospital facilities borrowings which have not yet been refinanced, offset by the funding of Provincial Par Capital, Infrastructure Capital and Manitoba Hydro's capital requirements. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar borrowings.

## ovincial Borrowings, Guarantees and Obligations

Maturities - December 31, 2005 to March 31, 2044

| | Canadian Valuation Payable In | | |
|---|---|---|---|
| | Canadian Dollars | U.S. Dollars | Net Maturities |
| | | (Millions of Dollars) | |
| 5/06 | 524 | - | 524 |
| 6/07 | 1,447 | 583 | 2,030 |
| 7/08 | 1,692 | - | 1,692 |
| 8/09 | 1,656 | - | 1,656 |
| 9/10 | 488 | 183 | 671 |
| 0/11 | 885 | 291 | 1,176 |
| 1/12 | 410 | - | 410 |
| 2/13 | 231 | - | 231 |
| 4 - 18 | 3,069 | 395 | 3,464 |
| 9 - 23 | 814 | 350 | 1,164 |
| 4 - 28 | 661 | - | 661 |
| 9 - 44 | 2,005 | - | 2,005 |
| asury Bills and omissory Notes | 325 | - | 325 |
| | **14,207** | **1,802** | **16,009** |

above table is based on foreign exchange rates at December 31, 2005.

# Manitoba Financial Statistics, Ten-Year Summary

| | 2006/07 Budget | 2005/06 Forecast | 2004/05 Actual | 2003/04 Actual | 2002/03 Actual |
|---|---|---|---|---|---|
| | | | (Millions of Dollars) | | |
| **FINANCIAL STATEMENTS** | | | | | |
| **Revenue** | | | | | |
| Own-Source Revenue (Notes 1 & 2) | 5,651 | 5,503 | 5,303 | 4,874 | 4,874 |
| Federal Transfers | 3,000 | 2,862 | 2,919 | 2,515 | 2,230 |
| Total | 8,651 | 8,365 | 8,222 | 7,389 | 7,104 |
| **Expenditure** | | | | | |
| Program Expenditure (Note 1) | 8,340 | 8,070 | 7,477 | 7,212 | 6,705 |
| Public Debt Costs (Note 3) | 282 | 269 | 241 | 311 | 321 |
| Total | 8,622 | 8,339 | 7,718 | 7,523 | 7,026 |
| **Net Revenue/(Expenditure)** | 29 | 26 | 504 | (134) | 78 |
| Emergency/Extraordinary Items (Note 4) | | | | 71 | |
| Debt/Pension Repayment | (110) | (110) | (99) | (96) | (96) |
| Transfers from/(to) Fiscal Stabilization Fund | 85 | 86 | 0 | 171 | 22 |
| **Balance under balanced budget legislation** | 3 | 3 | 405 | 13 | 4 |
| **Provincial Borrowings, Guarantees & Obligations** | | | | | |
| General Purpose | 6,569 | 6,582 | 6,594 | 6,546 | 6,354 |
| Manitoba Hydro | 6,722 | 6,537 | 6,615 | 6,649 | 6,344 |
| Other Crown Organizations | 1,379 | 1,279 | 1,340 | 1,187 | 1,116 |
| Health Facilities | 908 | 792 | 739 | 615 | 640 |
| Government Enterprises and Other | 505 | 500 | 497 | 478 | - |
| Capital Investments | 608 | 455 | 363 | 321 | 295 |
| Total | 16,691 | 16,145 | 16,148 | 15,796 | 14,749 |
| **Summary Obligations** | | | | | |
| Pension Liability | 4,152 | 3,955 | 3,761 | 3,571 | 3,411 |
| Pension Assets Fund | (651) | (526) | (382) | (267) | (151) |
| Net Pension Liability | 3,501 | 3,429 | 3,379 | 3,304 | 3,260 |
| Crown Organization Debt/ Consolidation Adjustment | 170 | 170 | 171 | 262 | 101 |
| Total | 3,671 | 3,599 | 3,550 | 3,566 | 3,361 |
| **Total Summary Borrowings, Guarantees & Obligations** | 20,362 | 19,744 | 19,698 | 19,362 | 18,110 |
| **Adjustments to arrive at Summary Net Debt** | | | | | |
| Guarantees | (617) | (491) | (660) | (923) | (979) |
| Net Financial Assets | (8,959) | (8,615) | (8,483) | (7,422) | (7,426) |
| **Summary Net Debt, as reported** | 10,786 | 10,638 | 10,555 | 11,018 | 9,705 |
| Adjustments for Accounting Policy Changes - Quantifiable | 0 | 0 | (28) | (29) | 539 |
| Adjustments for Accounting Policy Changes - Estimated | 0 | 0 | 125 | 125 | 97 |
| **Summary Net Debt, as restated** | 10,786 | 10,638 | 10,652 | 11,113 | 10,341 |
| **Fiscal Stabilization Fund, End of Year Balance** | 345 | 414 | 486 | 79 | 236 |
| **Summary Net Debt as restated, as percentage of GDP** | **24.5** | **25.3** | **26.6** | **29.4** | **28.2** |

Notes

1. Equal adjustments have been made to Own-Source Revenue and Program Expenditure to reflect the reconfiguration of Provincial Municipal Tax Sharing for years prior to 2005/06.
2. 2002/03 Revenue includes the $150 million Manitoba Hydro Special Payment arising from profits on export sales in 2001/02, and the $51 million adjustment for the federal accounting error in regard to capital gains tax refunds to mutual fund trusts.

| 2001/02 Actual | 2000/01 Actual | 1999/00 Actual | 1998/99 Actual | 1997/98 Actual | |
|---|---|---|---|---|---|
| (Millions of Dollars) | | | | | |
| | | | | | **FINANCIAL STATEMENTS** |
| | | | | | **Revenue** |
| 4,623 | 4,739 | 4,335 | 4,393 | 3,920 | Own-Source Revenue (Notes 1 & 2) |
| 2,206 | 2,091 | 2,073 | 1,560 | 1,884 | Federal Transfers |
| 6,829 | 6,830 | 6,408 | 5,953 | 5,804 | Total |
| | | | | | **Expenditure** |
| 6,406 | 6,182 | 6,042 | 5,442 | 5,232 | Program Expenditure (Note 1) |
| 414 | 511 | 465 | 515 | 520 | Public Debt Costs (Note 3) |
| 6,820 | 6,693 | 6,507 | 5,957 | 5,752 | Total |
| 9 | 137 | (99) | (4) | 52 | **Net Revenue/(Expenditure)** |
| | | | | | Emergency/Extraordinary Items (Note 4) |
| (96) | (96) | (75) | (150) | (75) | Debt/Pension Repayment |
| 150 | 0 | 185 | 186 | 100 | Transfers from/(to) Fiscal Stabilization Fund |
| 63 | 40 | 11 | 31 | 76 | **Budget under balanced budget legislation** |
| | | | | | **Provincial Borrowings, Guarantees & Obligations** |
| 6,406 | 6,537 | 6,473 | 6,632 | 6,763 | General Purpose |
| 6,263 | 6,053 | 5,798 | 5,677 | 5,569 | Manitoba Hydro |
| 1,099 | 1,086 | 943 | 948 | 986 | Other Crown Organizations |
| 615 | 579 | 501 | 450 | 461 | Health Facilities |
| - | - | - | - | - | Government Enterprises and Other |
| 245 | 260 | 245 | 142 | 0 | Capital Investments |
| 14,628 | 14,515 | 13,960 | 13,849 | 13,779 | Total |
| | | | | | **Summary Obligations** |
| 3,217 | 3,050 | 2,906 | 2,766 | 2,572 | Pension Liability |
| (107) | (21) | | | | Pension Assets Fund |
| 3,110 | 3,029 | 2,906 | 2,766 | 2,572 | Net Pension Liability |
| 98 | 113 | (72) | (228) | (131) | Crown Organization Debt/ Consolidation Adjustment |
| 3,208 | 3,142 | 2,834 | 2,538 | 2,441 | Total |
| 17,836 | 17,657 | 16,794 | 16,387 | 16,220 | **Total Summary Borrowings, Guarantees & Obligations** |
| | | | | | **Adjustments to arrive at Summary Net Debt** |
| (595) | (416) | (421) | (776) | (1,040) | Guarantees |
| (7,973) | (8,460) | (7,570) | (7,108) | (6,756) | Net Financial Assets |
| 9,268 | 8,781 | 8,803 | 8,503 | 8,424 | **Summary Net Debt, as reported** |
| 479 | 825 | 974 | 877 | 582 | Adjustments for Accounting Policy Changes - Quantifiable |
| 255 | 282 | 269 | 546 | 713 | Adjustments for Accounting Policy Changes - Estimated |
| 10,001 | 9,888 | 10,046 | 9,926 | 9,719 | **Summary Net Debt, as restated** |
| 247 | 320 | 264 | 427 | 565 | **Fiscal Stabilization Fund, End of Year Balance** |
| **28.5** | **29.0** | **31.4** | **32.1** | **32.7** | **Summary Net Debt as restated, as percentage of GDP** |

3. Beginning in fiscal year 2002/03 the interest carrying costs of capital assets (then worth $20 million) are included in program expenditures. Beginning in fiscal year 2004/05 the interest carrying costs of infrastructure assets (additional $60 million) are also included in program expenditures.
4. Under BBL, disaster-related expenditures may be written directly to accumulated deficit. In 2003/04, this is related to the BSE crisis, drought and forest fires.

## Manitoba Financial Statistics, Ten-Year Summary

| | 2006/07 Budget | 2005/06 Forecast | 2004/05 Actual | 2003/04 Actual | 2002/03 Actual |
|---|---|---|---|---|---|
| **Annual Change** | | | (Percentage Change) | | |
| Own-Source Revenue | 2.7 | 3.8 | 8.8 | 0.0 | 5.4 |
| Federal Transfers | 4.8 | (2.0) | 16.1 | 12.8 | 1.1 |
| Total Revenue | 3.4 | 1.7 | 11.3 | 4.0 | 4.0 |
| Program Expenditure | 3.3 | 7.9 | 3.7 | 7.6 | 4.7 |
| Public Debt Costs | 4.8 | 11.6 | (22.5) | (3.1) | (22.5) |
| Total Expenditure | 3.4 | 8.0 | 2.6 | 7.1 | 3.0 |
| General Purpose Debt | (0.2) | (0.2) | 0.7 | 3.0 | (0.8) |
| Net Pension Liability | 2.1 | 1.5 | 2.3 | 1.3 | 4.8 |
| Summary Net Debt as restated | 1.4 | (0.1) | (4.2) | 7.5 | 3.4 |
| **Per Cent of GDP** | | | (Per cent) | | |
| Own-Source Revenue | 12.9 | 13.1 | 13.3 | 12.9 | 13.3 |
| Total Revenue | 19.7 | 19.9 | 20.6 | 19.6 | 19.4 |
| Program Expenditure | 19.0 | 19.2 | 18.7 | 19.1 | 18.3 |
| Public Debt Costs | 0.6 | 0.6 | 0.6 | 0.8 | 0.9 |
| Total Expenditure | 19.6 | 19.8 | 19.3 | 19.9 | 19.2 |
| General Purpose Debt | 14.9 | 15.7 | 16.5 | 17.3 | 17.3 |
| Net Pension Liability | 8.0 | 8.2 | 8.4 | 8.8 | 8.9 |
| Summary Net Debt as restated | 24.5 | 25.3 | 26.6 | 29.4 | 28.2 |
| **Per Cent of Revenue** | | | | | |
| Own-Source Revenue | 65.3 | 65.8 | 64.5 | 66.0 | 68.6 |
| Federal Transfers | 34.7 | 34.2 | 35.5 | 34.0 | 31.4 |
| Public Debt Costs | 3.3 | 3.2 | 2.9 | 4.2 | 4.5 |
| General Purpose Debt | 75.9 | 78.7 | 80.2 | 88.6 | 89.4 |
| **Per Cent of Expenditure** | | | | | |
| Program Expenditure | 96.7 | 96.8 | 96.9 | 95.9 | 95.4 |
| Public Debt Costs | 3.3 | 3.2 | 3.1 | 4.1 | 4.6 |
| **Dollars Per Capita** | | | (Dollars) | | |
| Total Expenditure | 7,286 | 7,081 | 6,595 | 6,476 | 6,080 |
| Public Debt Costs | 238 | 228 | 206 | 268 | 278 |
| General Purpose Debt | 5,551 | 5,589 | 5,635 | 5,635 | 5,498 |
| Summary Net Debt as restated | 9,114 | 9,034 | 9,102 | 9,567 | 8,949 |
| **Memorandum Items** | | | | | |
| Population (000's) | 1,183 | 1,178 | 1,170 | 1,162 | 1,156 |
| GDP at Market Prices | 43,975 | 42,029 | 40,006 | 37,746 | 36,625 |

Source: Manitoba Department of Finance

| 2001/02 Actual | 2000/01 Actual | 1999/00 Actual | 1998/99 Actual | 1997/98 Actual | |
|---|---|---|---|---|---|
| | | (Percentage Change) | | | **Annual Change** |
| (2.4) | 9.3 | (1.3) | 12.1 | (4.3) | Own-Source Revenue |
| 5.5 | 0.9 | 32.9 | (17.2) | 9.8 | Federal Transfers |
| (0.0) | 6.6 | 7.6 | 2.6 | (0.2) | Total Revenue |
| 3.6 | 2.3 | 11.0 | 4.0 | 6.4 | Program Expenditure |
| (19.0) | 9.9 | (9.7) | (1.0) | (3.5) | Public Debt Costs |
| 1.9 | 2.9 | 9.2 | 3.6 | 5.4 | Total Expenditure |
| (2.0) | 1.0 | (2.4) | (1.9) | (0.7) | General Purpose Debt |
| 2.7 | 4.2 | 5.1 | 7.5 | 17.9 | Net Pension Liability |
| 1.1 | (1.6) | 1.2 | 2.1 | n.a. | Summary Net Debt as restated |
| | | (Per cent) | | | **Per Cent of GDP** |
| 13.2 | 13.9 | 13.6 | 14.2 | 13.2 | Own-Source Revenue |
| 19.4 | 20.1 | 20.1 | 19.2 | 19.5 | Total Revenue |
| 18.2 | 18.2 | 18.9 | 17.6 | 17.6 | Program Expenditure |
| 1.2 | 1.5 | 1.5 | 1.7 | 1.8 | Public Debt Costs |
| 19.4 | 19.7 | 20.4 | 19.3 | 19.4 | Total Expenditure |
| 18.2 | 19.2 | 20.3 | 21.4 | 22.8 | General Purpose Debt |
| 8.9 | 8.9 | 9.1 | 8.9 | 8.7 | Net Pension Liability |
| 28.5 | 29.0 | 31.4 | 32.1 | 32.7 | Summary Net Debt as restated |
| | | | | | **Per Cent of Revenue** |
| 67.7 | 69.4 | 67.6 | 73.8 | 67.5 | Own-Source Revenue |
| 32.3 | 30.6 | 32.4 | 26.2 | 32.5 | Federal Transfers |
| 6.1 | 7.5 | 7.3 | 8.7 | 9.0 | Public Debt Costs |
| 93.8 | 95.7 | 101.0 | 111.4 | 116.5 | General Purpose Debt |
| | | | | | **Per Cent of Expenditure** |
| 93.9 | 92.4 | 92.9 | 91.4 | 91.0 | Program Expenditure |
| 6.1 | 7.6 | 7.1 | 8.6 | 9.0 | Public Debt Costs |
| | | (Dollars) | | | **Dollars Per Capita** |
| 5,924 | 5,833 | 5,695 | 5,237 | 5,063 | Total Expenditure |
| 360 | 445 | 407 | 453 | 458 | Public Debt Costs |
| 5,564 | 5,697 | 5,666 | 5,830 | 5,953 | General Purpose Debt |
| 8,687 | 8,618 | 8,793 | 8,726 | 8,555 | Summary Net Debt as restated |
| | | | | | **Memorandum Items** |
| 1,151 | 1,147 | 1,143 | 1,138 | 1,136 | Population (000's) |
| 35,129 | 34,039 | 31,947 | 30,931 | 29,701 | GDP at Market Prices |

## Restatement of Summary Net Debt: Adjustments for Accounting Policy Changes

In deriving Summary Net Debt, as restated, several measured and/or estimated prior period adjustments were made to reflect accounting policy changes as prescribed under PSAB. They are based on the following major assumptions.

1. It has been estimated that the province has incurred $125 million in environmental liabilities prior to 1998. It is assumed that this amount is applicable to 2004/05 and all prior years.
2. The consolidation information for those health care entities brought into the GRE in 2004/05 is not readily available prior to 2002/03. For prior years, the same level as was estimated in 2002/03, $145 million, is assumed.
3. The estimate of the inclusion of the carrying costs of infrastructure assets in 2004/05 was based on actual data back to March 2003. It is assumed that the carrying costs for prior years would be equal to that recorded in 2003/04, $15 million.
4. Health Sciences Centre transferred its operations to the Winnipeg Regional Health Authority in 2000/01. It is assumed that associated costs for 1997/98 and 1998/99 would be $195 million, the same as in 1999/2000.
5. The cost of future employee benefits for Regional Health Authorities (RHAs) and other Crown organizations is not readily available for 1997/98 and 1998/99. The cost for these years is assumed to be equal to that incurred in 1999/2000, $81 million.
6. The cost of the consolidation of the RHAs and the combination of other health care entities is not readily available for 1997/98, and has been assumed to be equal to the $75 million recorded in 1998/99.

## Glossary of Terms

**Borrowings:** Borrowings are securities issued in the name of the province to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

**Federal Recoveries and Transfers:** Federal recoveries represent revenue related to capital expenses incurred by the provincial government that are recovered, or receivable, from the federal government. Federal transfers are comprised of the total operating revenue entitlements that are either received or receivable from the federal government.

**Government Reporting Entity:** To be considered a part of the Government reporting entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the government, or directly by the Legislature, and/or must be controlled by the government as prescribed by PSAB.

**Gross Domestic Product (GDP):** Represents the total market value of all final goods and services produced in the Manitoba economy. The GDP is obtained from the most recent reports published by Statistics Canada.

**Guarantees:** The province, in the normal course of business, will provide a guarantee to honour the repayment of debt or loans of an organization, primarily government enterprises and Crown organizations within the GRE. Such a guarantee is provided on the Manitoba Hydro Savings Bonds. While these guarantees represent a potential obligation of the province, they are only reflected as a liability in the financial statements to the extent there is an indication that the province will have to honour the guarantee.

**Net Financial Assets:** Assets of the government (such as cash, investments, loans and accounts receivable) less accounts payable, that can be easily converted to cash in order to pay government's liabilities or finance its future operations.

**Non-Financial Assets:** Includes all items of a permanent nature, such as tangible capital assets and consumable goods such as inventories that do not normally provide resources to discharge existing liabilities.

**Obligations:** Long-term, non-interest-bearing liabilities of the province, which may or may not carry specific repayment terms.

**Own-Source Revenue:** Includes provincial revenue either received or receivable from all sources and excludes federal transfers and recoveries.

**Pension Assets Fund:** Financial assets that are set aside to provide for the orderly retirement of the government's pension obligations as required under the amended provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

**Pension Liability:** The unfunded portion of the outstanding actuarial-calculated pension liability of the government and participating Crown organizations. The government of Manitoba supports eight separate pension plans.

**Program Expenditure:** Current program expenditure includes the cost of all core government programs, but excludes debt servicing costs.

**Public Debt Costs:** Debt servicing costs on all government borrowings and obligations, net of interest recoveries from departments, government enterprises and Crown organizations, and interest earned on investments including sinking funds.

**Sinking Funds:** Sinking funds are funds that are set aside to provide for the orderly retirement of borrowings as they come due. Contributions made can be either required by legislation or at the discretion of the Minister of Finance.

**Summary Net Debt:** Represents the total liabilities of the GRE less its financial assets. This is the residual liability amount that will have to be paid or financed by future revenue.

**Classifications of Provincial Borrowings:**

- **General Purpose:** Borrowings issued to support provincial accumulated deficits (government program debt), including any provincial securities that are not self-sustaining, or that are not associated with the acquisition of capital assets.

- **Manitoba Hydro:** The province borrows and provides guarantees on behalf of Manitoba Hydro. This debt is secured by loans receivable from Manitoba Hydro, which is responsible for all principal repayments and debt servicing costs associated with these borrowings and guarantees.

- **Other Crown Organizations:** Borrowings issued to support the business activities of Crown organizations excluding Manitoba Hydro. These entities are responsible for all principal repayments and debt servicing costs associated with these borrowings.

- **Health Facilities:** Borrowings on behalf of or in the name of health care facilities to support the construction or upgrade of all health care facilities operating within the province. These borrowings have a repayment schedule equivalent to their useful economic life. This debt is secured by receivables from the health care facilities.

- **Government Enterprises and Other:** Represents long-term payables to the federal government, Manitoba Public Insurance and the Manitoba Liquor Control Commission which, for accounting purposes, have been classified as long-term obligations.

- **Capital Investments:** Borrowings issued to support the acquisition or construction of fixed assets of the government which, for accounting purposes, are expensed over their useful economic life.

## Manitoba Summary Budget Statistics

| | 2006/07 Budget | 2005/06 Forecast | 2004/05 Actual |
|---|---|---|---|
| | | (Millions of Dollars) | |
| **FINANCIAL STATEMENTS** | | | |
| **Operating Fund** | | | |
| **Revenue** | | | |
| Own-Source Revenue | 5,651 | 5,504 | 5,303 |
| Federal Transfers | 3,000 | 2,862 | 2,919 |
| Total | 8,651 | 8,365 | 8,222 |
| **Expenditure** | | | |
| Program Expenditure | 8,340 | 8,070 | 7,477 |
| Public Debt Costs | 282 | 269 | 241 |
| Total | 8,622 | 8,339 | 7,718 |
| **Net Revenue on Operations** | 29 | 26 | 504 |
| Debt/Pension Repayment | (110) | (110) | (99) |
| Transfers from/(to) Fiscal Stabilization Fund | 85 | 86 | 0 |
| **Balance under balanced budget legislation** | 3 | 3 | 405 |
| **Summary Information** | | | |
| **Adjustments on Consolidation** | | | |
| Income (loss) from Crown Organizations | | | |
| Manitoba Hydro | 222 | 375 | 136 |
| Manitoba Public Insurance | 10 | 46 | 79 |
| Manitoba Agricultural Services | (3) | (145) | (85) |
| Incremental Income from other Crown Organizations | 36 | 72 | 115 |
| Subtotal: Income from Crown Organizations | 265 | 348 | 245 |
| Additional Changes in Special Funds | (48) | (49) | 24 |
| Increase in Net Pension Liability | (72) | (51) | (75) |
| **Summary Financial Statement Balance** | 148 | 251 | 599 |
| Net Impact of Accounting Restatements | 0 | 0 | 3 |
| **Summary Balance as Restated** | 148 | 251 | 602 |
| **Fiscal Stabilization Fund, Year End Balance** | 345 | 414 | 486 |
| **Consolidated Debt Servicing Charges** | 727 | 751 | 767 |

## Manitoba Summary Budget Statistics

|  | 2006/07 Budget | 2005/06 Forecast | 2004/05 Actual |
|---|---|---|---|
| **Annual Change** |  | (Per cent change) |  |
| Own-Source Revenue | 2.7 | 3.8 | 8.8 |
| Federal Transfers | 4.8 | (2.0) | 16.1 |
| Total Operating Fund Revenue | 3.4 | 1.7 | 11.3 |
| Program Expenditure | 3.3 | 7.9 | 3.7 |
| Public Debt Costs | 4.8 | 11.6 | (22.5) |
| Total Operating Fund Expenditure | 3.4 | 8.0 | 2.6 |
| Consolidated Debt Servicing Charges | (3.2) | (2.1) | (4.0) |
| Income from Crown Organizations | (23.7) | 42.1 | n.a. |
| **Per cent of GDP** |  | (Per cent change) |  |
| Own-Source Revenue | 12.9 | 13.1 | 13.3 |
| Total Operating Fund Revenue | 19.7 | 19.9 | 20.6 |
| Program Expenditure | 19.0 | 19.2 | 18.7 |
| Public Debt Costs | 0.6 | 0.6 | 0.6 |
| Total Operating Fund Expenditure | 19.6 | 19.8 | 19.3 |
| **Per cent of Revenue** |  |  |  |
| Own-Source Revenue | 65.3 | 65.8 | 64.5 |
| Federal Transfers | 34.7 | 34.2 | 35.5 |
| Public Debt Costs | 3.3 | 3.2 | 2.9 |
| **Dollars Per Capita** |  | (Dollars) |  |
| Total Operating Fund Revenue | 7,310 | 7,103 | 7,026 |
| Total Operating Fund Expenditure | 7,286 | 7,081 | 6,595 |
| Public Debt Costs | 238 | 228 | 206 |
| Balanced Budget Legislation Result | 3 | 3 | 346 |
| Summary Balance as Restated | 125 | 213 | 515 |
| Income from Crown Organizations | 224 | 296 | 209 |
| Consolidated Debt Servicing Charges | 614 | 638 | 655 |
| **Memorandum Items** |  |  |  |
| Population (000's) | 1,183 | 1,178 | 1,170 |
| GDP at Market Prices | 43,975 | 42,029 | 40,006 |

## MANITOBA'S RELATIVE POSITION AMONG PROVINCES

Manitoba continues to maintain its reputation for fiscal responsibility. The province's measured approach to balancing the budget, paying down debt and pension liability, and dealing with the needs in health care and other program areas has been acknowledged by financial analysts and credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba has received from Moody's Investors Service and Dominion Bond Rating Service (DBRS) over the past five years.

Manitoba has one of the most efficient and cost-effective governments in Canada. Continuous improvements in the way government operates and delivers services helps keep Manitoba programs affordable and effective (See Modernizing Government, Budget Paper G). As the adjoining charts indicate, per capita total expenditure in Manitoba was second lowest among provinces in 2005/06, while per capita program expenditure was fourth lowest.

Since 1999, Manitoba has made an effort to reduce its debt. In 1999/2000, the debt payment made by the province was $75 million. In 2000/01, the payment was boosted to $96 million and last year was increased again to $110 million. Since 1999, Manitoba has committed more than $704 million to debt retirement and to reducing the province's unfunded pension liability.

Comparing debt levels among provinces is difficult because provinces report debt differently. An independent measure of provincial tax supported debt is provided by DBRS. DBRS attempts to measure debt on a standardized basis, with debt defined broadly as tax-supported debt plus unfunded pension liabilities, less sinking funds and internal holdings. For 2005/06, Manitoba's debt to GDP ratio was estimated by DBRS at 32.9%, down from 37.3% five years ago, and near the average among provinces.

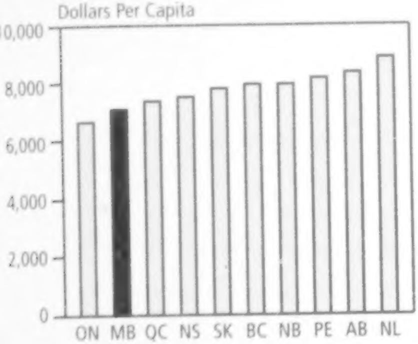
The success of Manitoba's fiscal performance has provided the province with the ability to maintain its commitments to health care and other social programs. In fact, in 2005/06, Manitoba's per capita health expenditures were third highest among provinces.

### Provincial Debt Ratings

March 2006

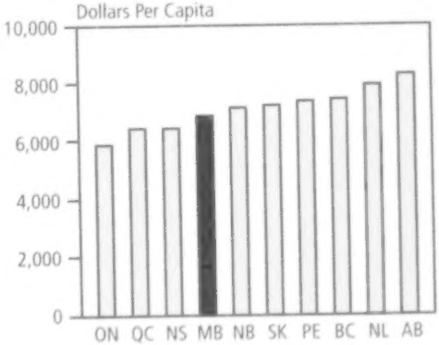
| Province | Moody's | Standard & Poors' | DBRS |
|---|---|---|---|
| Alberta | Aaa | AAA | AAA |
| British Columbia | Aa1 | AA | AA |
| Ontario | Aa2 | AA | AA |
| **Manitoba** | **Aa2** | **AA-** | **A(high)** |
| Saskatchewan | Aa2 | AA- | A(high) |
| New Brunswick | Aa3 | AA- | A(high) |
| Quebec | A1 | A+ | A |
| Prince Edward Island | A2 | A | A(low) |
| Nova Scotia | A2 | A | A(low) |
| Newfoundland and Labrador | A3 | A- | BBB(high) |

### Total Expenditure by Province, 2005/06



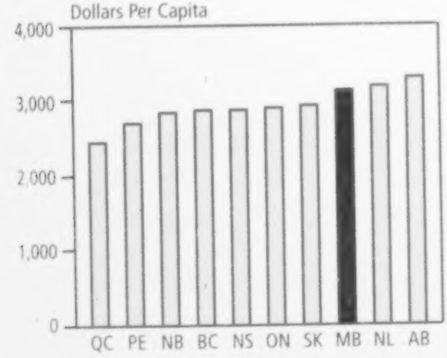
Sources: Provincial mid-year financial statements and Statistics Canada

### Program Expenditure by Province, 2005/06



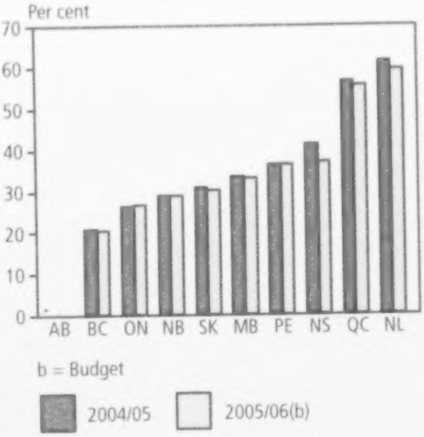
Sources: Provincial mid-year financial statements and Statistics Canada

### Health Expenditure by Province, 2005/06



Source: Canadian Institute for Health Information

### Debt to GDP Ratio by Province, 2004/05 and 2005/06(b)



Sources: Dominion Bond Rating Service

## IMPROVING TRANSPARENCY AND ACCOUNTABILITY

The Government of Manitoba prepares its Summary Financial Statements in accordance with GAAP as outlined by PSAB of the CICA. This process includes an ongoing evaluation of emerging PSAB standards for implementation so as to continually improve accountability and transparency to Manitobans.

The government's March 31, 2005 Summary Financial Statements were prepared in full compliance with GAAP for the first time and received an unqualified audit opinion from the Office of the Auditor General (OAG).

It should be noted that the OAG indicated in its January 4, 2006 press release that, due to new 2005/06 GAAP standards, the government will be receiving a qualified audit opinion for the next two years. As part of the new standards, more entities are required to be included as part of the GRE in the summary financial statements. These qualifications will arise because all of the consolidation information is not yet available for Manitoba's public schools. All other entities identified as part of the GRE will be included in the 2005/06 Public Accounts. The Auditor General acknowledged that "the Province is undertaking significant steps to eliminate this upcoming qualification for the year ending March 31, 2008."

## IMPROVED REPORTING

Overall, the government has benefited from the recommendations of the Auditor General in regard to financial reporting. In the first set of Public Accounts issued by this Administration in 1999/2000, we implemented his recommendation to combine the summary financial statements into one volume so that their inter-relationships would be more transparent to the reader. Acting on further recommendations, the government began issuing comprehensive annual reports in 2000/01, which included not only financial statements, but also management discussion and analysis. Further, the reports now include financial and economic indicators related to the government's central operations, as well as for entities within the entire GRE, including government enterprises and Crown organizations.

The government has committed itself to improved reporting in its plan to move to summary budgeting and reporting by 2007/08. As part of this initiative, it is also the government's intention to issue quarterly operating results for the entire GRE as soon as practical after 2007/08 so as to provide Manitobans with progress reports throughout the year. As well, for the first time, Budget Paper B now contains a Glossary of Terms to assist the reader in understanding the major accounting and financial terms used.

Over the past several years, we have reached several milestones in improved financial reporting. These include:

- Recognition of the unfunded liability for future benefits for employees of non-devolved health care facilities
- Improved notes and schedules to the financial statements
- In 2005/06, we will be recording the environmental liabilities for any contaminated sites for which the government is obligated, or likely to become obligated, to incur related remediation costs, when these liabilities can be reasonably estimated. This improvement is as a result of the adoption of new accounting standards for the recognition of liabilities in a government's financial statements
- Revised treatment of capital funding to schools and hospitals
- Recognition of third party capital debt held by health care facilities as provincial debt
- Inclusion of all controlled health care entities into the summary financial statements on a fully consolidated basis
- Revised treatment of the Manitoba Liquor Control Commission's net profits in accordance with GAAP
- Quantification of GAAP exceptions in the Operating Fund and Special Purpose Financial Statements, and
- Elimination of GAAP exceptions on the March 31, 2005 Summary Financial Statements.

## CAPITAL ACQUISITIONS AND INFRASTRUCTURE CAPITALIZATION

The government is now in full compliance with the capital asset accounting practices prescribed by PSAB. This has resulted in greater departmental accountability for capital expenditures. As a result, each year since 1999/2000, the budget for acquisition costs of general assets have been reflected in Part B of the Estimates and the related annual amortization costs have been voted as part of the Part A departmental appropriations. To further improve our capitalization policies, in 2004/05, Manitoba introduced a capitalization policy for its infrastructure assets as well.

## PENSION ACCOUNTING

As part of our continued progress towards ensuring we meet and account for our pension obligations, departments began funding from their appropriations, the cost of the employer pension contributions for employees hired on or after October 1, 2002. This funding is being directed to the Pension Assets Fund along with other contributions made from the DRF. The cost of the pension benefits has thus begun to be appropriately reflected in the various programs across government. This measure also accelerates the government's plan to address the outstanding pension liability.

Manitoba

## Budget Paper C

# A NEW FOCUS ON FISCAL RELATIONS

# A NEW FOCUS ON FISCAL RELATIONS

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## A NEW FOCUS ON FISCAL RELATIONS

Since the mid-1990s much of the federal-provincial dialogue has centred on questions of vertical fiscal gaps and imbalances, as well as the increasingly critical imbalance among provinces. While the focus has been on the key mechanisms to address them – Canada Health Transfer (CHT), Canada Social Transfer (CST) and Equalization – a third tier of arrangements, and potential arrangements, has gained importance. There are several reasons for this: frustration with the pace of progress in renewing established mechanisms, the apparent widening of fiscal disparities among provinces and between the provinces and the federal government, major regional economic disruptions caused by events like forest fires, BSE and the softwood lumber dispute, and a greater acceptance of the view that the federal government has, at least, a funding role in some provincially administered programs and projects other than major social programs.

### Reassessing Fiscal Relationships

Canada has not undertaken a formal review of the roles and responsibilities of both orders of government since Rowell and Sirois were commissioned to do the job back in 1937. Federal-Provincial-Territorial fiscal relations have evolved over the past 69 years and the mechanisms used to give fiscal balance to the federation have undergone such major changes in the intervening period that a comprehensive reassessment would be timely.

In recent years a succession of major studies and reports, beginning with the Séguin Report, continuing with the Conference Board's reports on the fiscal situation of governments and most recently the final report of the Commons Finance Subcommittee have all effectively reached the same conclusion: that fiscal imbalance is a reality and a serious issue. Canada's newly elected Prime Minister,

*In the summer of 2005, Manitoba's Finance Minister, the Honourable Greg Selinger, met with both the federal Expert Panel on Equalization and the Council of the Federation's Advisory Panel on Fiscal Imbalance. His presentations to the panels focused on some of the major hurdles facing the federal and provincial governments in addressing the social and economic priorities of Canadians. This Budget Paper summarizes the key ideas that were presented as possible solutions in the current federal-provincial context.*

Stephen Harper, in the leadership debate and in a letter to the Council of the Federation, acknowledged the existence of the fiscal imbalance and pledged his administration to its elimination.

Manitoba welcomes this development and believes the time has come to undertake a rational assessment of the responsibilities of each order of government along with their tax authority. Such an examination is long overdue and would inform governments of the implications of the options that are both open and, under current arrangements, closed to them. In the meantime, we need to improve the Equalization Program and, at a minimum, ensure that the federal government restores the funding to post-secondary education and social services it has cut over the last ten years.

In an economically diverse and highly decentralized country like Canada there is both economic justification and public expectation that the federal government play some role in areas of provincial jurisdiction. The current fiscal advantage that the federal government enjoys relative to most provinces has given it the capacity to act – to cut taxes, to pay off debt and to increase program spending in areas of both federal and provincial jurisdiction – in a way that is simply not available to the vast majority of provinces. Over the past decade we have witnessed examples of where it has acted unilaterally, over provincial objections, and examples of where it has acted in concert with the provinces.

While neither order of government has a monopoly on good ideas, it must be recognized at the outset that it is the provinces that have the practical experience and administrative expertise when it comes to managing the vast and complex range of major social programs that Canadians rely upon on a daily basis.

## Managing the Federation - The Fiscal Gap and the Tools for Addressing Fiscal Imbalance

Canada's success as a country has been and will continue to be tied to its success in managing its internal fiscal arrangements. That said, Canada is a federation that is fiscally out of balance. One need only contrast the extended string of substantial federal surpluses and projected surpluses with the struggle most provinces have to balance their books, as well as the growing gap between energy-rich provinces and rest of Canada. The fact that we had two First Ministers meetings in 2004 to deal with the two largest transfer programs indicates clearly that existing fiscal arrangements warrant examination and, potentially, change.

The Equalization Program is the main tool to directly promote fiscal balance among provinces (horizontal balance). The CHT and CST are the main tools to address the large difference between the responsibilities of the two orders of government to provide Canadians with services and the financial resources at their disposal to pay for them (vertical balance).

Although these are the main tools, they are not the only ones, since there are unmet needs in other social policy areas as well as in respect of regional economic development. Recently the federal government has sought to establish significant ongoing transfers in respect of provincial programs, such as day care through the Early Learning and Child Care Agreement. As well, Labour Market Partnership Agreements are being bilaterally negotiated with all provinces to address training needs that fall outside of those covered under the Employment Insurance program.

Fiscal balance may also be achieved by uploading responsibility to the federal government as happened in 1940 when the federal government enacted a constitutional amendment, which transferred

### FISCAL GAP AND FISCAL IMBALANCE

**Vertical Fiscal Gap** – a situation in which provincial expenditures exceed revenue-raising ability and the difference is made up through a system of federal transfers.

**Vertical Fiscal Imbalance** – a situation in which the Vertical Fiscal Gap is not being adequately filled. Federal transfers to provinces fall short of the optimum, such that provinces end up with some combination of expenditures that are too low, taxes that are too high, and deficits that are too high.

jurisdiction over unemployment insurance from the provinces to the federal government.

## A Tiered Approach to Fiscal Federalism

Manitoba believes that both aspects of fiscal imbalance – horizontal as well as vertical – must be addressed in order to arrive at a durable solution. In crafting a viable approach to balance, the right tool has to be used for each job. To this end we would recommend that governments look at a "three-tier" approach as a means to deal with fiscal imbalances and a way of articulating the legitimate role the federal government has in bridging the revenue gap faced by provinces in providing key public services.

This approach arises from the basic principle that all Canadians, regardless of where they live, should expect to receive reasonably comparable levels of public services at reasonably comparable levels of taxation – the Constitutional promise. Were Canada a country without provinces, and provincial governments, this would happen in the normal course of events. Since we are a federation, it falls on the federal government, in co-operation with the provinces, to ensure that this happens. Thus, the first tier would involve plugging the leaks in the Equalization Program – ensuring that all the boats can float.

Manitoba believes there is some justification for the existence of a fiscal gap insofar as it provides the federal government with sufficient resources to help provinces expand and improve the quality of programs that are essential to all Canadians, like health care, post-secondary education and social services. The second tier would involve collectively addressing the revenue shortfall and the expectations of Canadians in respect of major social programs – raising the level of all the boats.

While the first two tiers are designed to address larger issues for which there is common interest, there remains a wide range of issues for which nationa

## HORIZONTAL FISCAL IMBALANCE

**Horizontal Fiscal Imbalance** – a situation in which provinces have unequal fiscal capacities with which to provide their citizens with a comparable level of public services at a comparable level of taxation. To the extent that the Equalization Program does not meet its Constitutional commitment in this regard, differences may arise across provinces in terms of essential public services and tax levels. Budgetary deficits may also arise.

strategies have not been developed or are regional in nature and do not necessarily lend themselves to a one-size-fits-all solution. The third tier would involve dealing with the unique issues facing individual provinces or geographical regions, in a way that respects jurisdictional authority and does not circumvent the proper functioning of the major transfer programs.

In regard to the third tier, Section 36(1) of the Constitution is often overlooked in dealing with the fiscal imbalance. It is important for several reasons: respect for jurisdictional authority; the use of economic development as a method for addressing disparities; and the need for collective action to provide all Canadians with quality public services. This recognizes that from time to time, some boats have rougher water to navigate than others.

## Tier 1 is Job 1

Manitoba believes that Tier 1 – the Equalization Program – needs to be Canada's first priority. Without an improved Program, the inequality that exists among provinces in terms of their ability to provide Canadians with reasonably comparable levels of service at reasonably comparable levels of taxation will be perpetuated and the unity of our federation weakened. Ensuring that all governments have the financial ability to provide equivalent treatment to all Canadians, so that there are no second- or third-class citizens, is a prerequisite for moving ahead. The attached Appendix addresses a number of misconceptions about the objectives of the Equalization Program and who pays for it.

First and foremost, Equalization must be improved to deal with the fundamental issue of adequacy. This means addressing the issue of the standard and the inclusion of revenue from all sources. Changes also need to be made to restore the Program's responsiveness to changes in fiscal capacity. The current legislation which fixes the federal payout in each year into the future must be revisited – an

> **"The Committee believes that the country is better served if the program remains true to its intent of assisting provinces provide comparable services at comparable costs. After weighing all of the above concerns, the Committee believes that provincial non-renewable natural resource revenues belong in the Equalization program."**
>
> Fourteenth Report of the Standing Senate Committee on National Finance
> March 2002

unresponsive and inadequately funded Program is too high a price to pay for complete certainty.

The yardstick used to measure fiscal capacity and disparities must be as comprehensive and as reflective of actual taxing practices of provinces as possible. In this regard, we agree with the Senate Committee Report on Equalization, which concluded that "provincial non-renewable natural resources belong in the Equalization program." Manitoba believes that the best measure is one that includes all provinces and all revenues. For this reason we have recommended to both Panels that they work with the current Representative Tax System (RTS) and consider the technical changes that have been advocated to improve the results of the Program. Manitoba believes that there is a need to assess all revenue bases comprehensively – both renewable and non-renewable.

For example, the price volatility associated with natural resources, especially with respect to oil and natural gas, has created serious challenges to budge planning for both resource-rich provinces as well a for Equalization recipient provinces. Measures hav been proposed which could help temper the shock associated with resource price volatility. In principle we would support the use of moving-average price or other mechanisms to smooth the impact of swing in non-renewable resource prices which impac provincial revenues. Manitoba recognizes that th adoption of a smoothing mechanism to deal wit this issue will make the Program less responsive, bu considers this to be a reasonable trade-off.

Manitoba does not support the idea of exemptin non-renewable resource revenue from the estimatio of fiscal capacity. The fact of the matter is that a provinces utilize their revenues, regardless of wheth or not they come from so-called "non-renewable sources, for the same three purposes – to pay fo public services, to pay off debt and to maintain ta competitiveness.

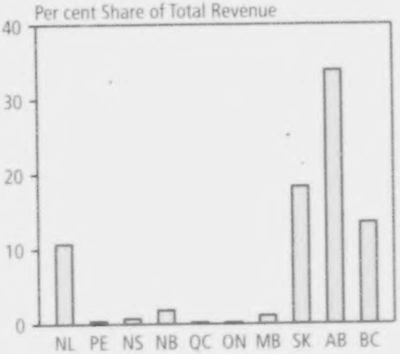
Moreover, it is clear that revenue from other tax bases, such as those paid by manufacturing industries, may not last forever. So-called "renewable" resources can also be depleted, as we have witnessed with some fisheries and forests. Climate change could also have a dramatic impact on these industries, as well as on agriculture and the generation of hydro-electricity. One need only consider the economic contraction in the garment industry or the announced closures in the auto industry to realize that no tax base of any kind can be counted on to continue indefinitely. Revenue, regardless of its source, is revenue and all should be treated the same under the Equalization Program. Manitoba believes that seeking special treatment because revenue is "non-renewable" is invidious and attempts to make a distinction where, for all intents and purposes, no difference exists.

Natural resources are unevenly distributed across Canada and are, arguably, the single most important reason for fiscal disparities among provinces. Chart 1 illustrates this point. While most provinces derive less than two per cent of their revenue from non-renewable natural resources, the rest derive substantially more. While this does not tell the whole story, it is clear that, by and large, resource-rich provinces have a substantial advantage and are much less reliant on other forms of taxation to provide public services and balance their budgets – an imbalance that the Equalization Program is designed to directly address.

Reforming the Equalization Program along the lines we recommend (10-province standard with full revenue inclusion and measures to deal with resource revenue volatility) would be consistent with the principles we advocate, and readily affordable within the current federal fiscal framework as outlined in the federal Conservative Party's Fiscal Plan. Manitoba would support an approach that would see the new framework initially implemented at something less than 100% with a clear plan to reach that level within a fixed timeframe.

Chart 1

### Provincial Non-Renewable Natural Resource Revenue, 2005/06



Note: Non-renewable natural resources include those from forestry, mining, oil, natural gas and Crown leases.

Sources: Finance Canada, Manitoba Finance

## PRINCIPLES, NOT CONDITIONS

Federal transfers in respect of PSE and Skills Training should flow from a coherent set of principles which reflect the current values and future needs of Canadians:

- Excellence
- Affordability
- Accessibility
- Comprehensiveness
- Lifelong Learning

With agreement on these basic principles, provinces need not be artificially constrained by conditions that compromise their ability to innovate and tailor solutions to local needs. Both orders of government will have to work together to flesh out these broad principles, along with others such as portability. Developing an effective strategy for PSE and Skills Training will require adequate and secure funding arrangements.

Addressing the shortcomings of the Equalization Program could also have some positive benefits for the non-recipient provinces as well. If Canada had a more fully funded and comprehensive Equalization Program in place, a case might be made to eliminate the current tax-point value adjustment on federal transfers for health care, post-secondary education and social services, allocating both CHT and CST cash payments on an equal per capita basis.

## Tier 2 – The Major Social Programs

The issues at the heart of the second tier are anything but secondary to the vast majority of Canadians. In particular, health care, education and day care have been front and centre in the public's mind in the recent federal election and in meetings of First Ministers and Ministers responsible for these areas.

Although the process was a bit rocky in places, the negotiations prior to and during the September 2004 First Ministers' Meeting on Health Care Financing successfully concluded with the unanimous signing of a 10-year agreement on health care funding. Although it does not fill all the gaps, it resulted in a substantial increase in the federal funding commitment to health care and dealt with the concern that all of the increase in federal funding in the 2003 Health Funding Arrangement was either "one-time" or conditional and not built into the base. The only part of the 2004 Health Care Financing Agreement that is not built into the base is that dedicated to reducing wait times.

Manitoba believes that mature established programs such as health care, are best served by the block funding mechanism. This recognizes both their high priority to Canadians and the fact that the operational expertise resides with the provinces.

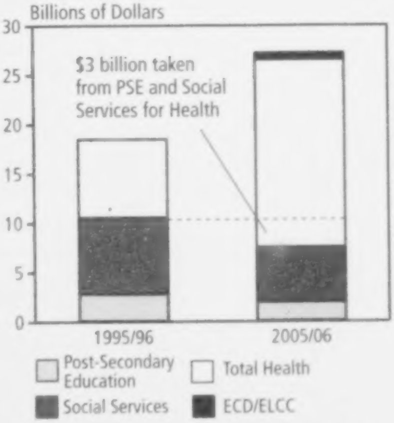
While the federal government has stepped up to the plate in respect of health care, it has yet to do so in respect of PSE and social services. In splitting the Canada Health and Social Transfer (CHST) into the CHT and CST, the federal government boosted its support for health care at the expense of its commitment to social services and PSE. In fact, federal funding for these programs in 2005/06 was $3 billion less then it was a decade ago (see Chart 2). In fact, the $8.2 billion provinces and territories received in 2005/06 is less than they received in 1989/90. Beyond the fact that the real value of the transfer has been eroded by inflation, additional responsibilities have been placed on provinces and territories to deliver services in respect of both the early childhood development (ECD) and early learning and child care (ELCC) initiatives.

Although federal support of social programs, aside from health care, has declined since the mid-1990s, the newly elected Conservative government promised to increase funding for PSE and training and create a new Education and Training Transfer, separate from the current CST. Provincial governments have had to backfill for the federal government and Premiers have called for the federal government to restore PSE and Social Services funding to their pre-CHST level, at a minimum. Along with improvements to the Equalization Program, this would be a necessary prerequisite for the comprehensive review Manitoba is advocating.

Manitoba has long advocated a split of the CST into separate transfers in respect of PSE and Social Services as a more effective and transparent way of targeting federal funding. Manitoba welcomes the idea of a separate dedicated transfer in respect of PSE and Skills Training. The creation of a new PSE and Training Transfer would provide an effective mechanism to better integrate the funding objectives of some of the current federal programs that support PSE but are not effectively co-ordinated with provincial programs. In so doing we could optimize the delivery of services, avoid unnecessary duplication and conflict, and ensure that the infrastructure is in place to handle the increase in demand for education and training that we seek to promote.

Chart 2

**Canada Health and Social Transfer Split**



Sources: Finance Canada, Manitoba Finance

*Manitoba has consistently supported federal-provincial funding arrangements that improve accountability to Manitobans and Canadians.*

Manitoba also recommended to the panels that a new block transfer, dedicated to children's programs, be established. Funding would be comprised of the existing ECD and ELCC funding in the CST, as well as the funding included in the new child care agreement that Manitoba signed with the federal government in November 2005.

Manitoba has consistently supported federal-provincial funding arrangements that improve accountability to Manitobans and Canadians. The measures Manitoba has proposed – a further split of the CST into separate transfers for PSE and Training, Social Services and Early Childhood programs – will similarly improve the visibility and accountability of the federal government in helping provinces fund these public programs.

## Tier 3 – A Comprehensive Approach to Regional Issues

Although they sometimes seem to advance at a glacial pace, federation fiscal arrangements and relations in Canada are not static and continue to evolve. Over the past five years, the range of issues over which provinces have jurisdiction and in which the federal government has sought to exert influence has grown. While there may be a number of reasons for this, it would appear to reflect, in large measure, a federal government looking for ways to utilize its fiscal advantage vis-à-vis the provinces and increase its visibility directly with Canadians, even though it might mean venturing into areas of provincial/territorial jurisdiction.

Beginning in the late 1990s, tied-cost funding became the method of choice for the federal government in implementing new programs and initiatives that fell under provincial jurisdiction. Provincial concern over tied funding has arisen because many of these programs have been implemented without consultation or negotiation, even though they affect the provision of services for which provinces have constitutional responsibility. While these programs are of some value, participation in them often commits provinces to ongoing expenditures. As well, they often include "sustainability" clauses that require the provinces to administer and carry forward these programs long after the federal financial commitment has ended. Arguably many of the initiatives could have been accommodated and more efficiently administered through existing provincial programs.

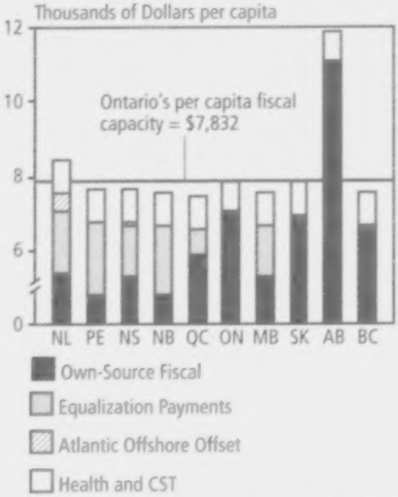
Over this period, these tied-cost funding programs have often conflicted with provincial programs and distorted spending priorities. The public promotion of these new programs, combined with the observed inclination of the federal government to approach community organizations and municipal governments prior to discussions with provinces, heightened both expectations and public demand, making it very difficult for provinces to resist participation. Indeed, tied-cost programs have the potential to worsen disparities among provinces. Less affluent provinces may not be able to afford to take full advantage of the programs or may be "induced" to do so at the expense of core program funding, tax competitiveness or debt reduction.

The instances where shared-cost programs have worked are those in which the intent and spirit of the Social Union Framework Agreement (SUFA) have been honoured. SUFA demonstrates that the federal and provincial governments understand what it means to constructively work through funding priorities; the challenge is to actually follow through. The new federal administration has an opportunity to reverse the negative aspects of tied funding and foster a healthier and more co-operative political environment at the same time.

Despite taking frequent exception to the way in which the federal government has advanced its agenda, provinces, both individually and collectively, have called upon the federal government to take on a bigger share of the cost of improving the quality and expanding the availability of services, addressing regional problems and sharing the burden of risk

Chart 3

**Provincial Government Fiscal Capacities, 2005/06**



Note: Equalization estimates reflect the October 2005 calculation of provincial fiscal capacity (2004 Equalization Renewal basis) and are based on the 5-Province Standard.

Sources: Finance Canada, Manitoba Finance

associated with major economic disruptions. The latter goes beyond the traditional scope of disaster relief, which is narrowly focused on natural disasters like floods, to include such things as SARS, BSE and international trade disputes like softwood lumber. This also acknowledges the simple fact that the federal government, given its greater size and diversity of revenue sources, has a significantly greater capacity to manage this kind of risk, compared to individual provinces. For the federal government this would represent a complementary role on the expenditure side to that which it provides through the Equalization Program on the revenue side. It is well known that the Equalization Program played a major role in stabilizing provincial revenue during the flood of the century in Manitoba in 1997.

The demand to address provincial problems was most evident in the negotiation of the Atlantic Offshore Offset Payments for Newfoundland and Labrador and Nova Scotia, the reaction to which raises issues of its own. These third tier "side deals" have widened the apparent fiscal disparities among provinces and created a situation in which, on the face of it, the fiscal capacity of Newfoundland and Labrador, along with Alberta and Saskatchewan, now exceeds that of Ontario (see Chart 3).

It may be argued that the real tragedy with the way these Offset Payments have been characterized is that they have inadvertently undermined the credibility of the Equalization Program, even though they have been struck outside of the Program. Perhaps more significantly they have weakened the sense of unity among provinces on the fiscal imbalance issue making collective action and co-operation more difficult to achieve. While much attention has been focused on the narrowing of disparities between Ontario and the less-affluent provinces, this concern may be misdirected insofar as the largest disparity is, in fact, the one that has opened up between Alberta and the rest of Canada (see Chart 3).

This example highlights the serious implementation problems that exist when dealing with what are essentially third tier issues. Provinces all want to be treated equitably, yet argue for acknowledgement of their unique circumstances. Achieving a proper balance speaks to the need mentioned earlier for a comprehensive review of our fiscal relationship.

Integral to the concept of a third tier of fiscal arrangements is the idea that we need a rational way of ensuring that they are not simply turned into a way of "getting around" the equity that we have sought to achieve through the first two tiers of transfers. It is clear that an evaluation framework will need to be established so that we may be assured that the third tier does not end up subverting the intent of the first and second tiers. While we would fully expect some variation from year to year, over time we would expect results to be consistent with the goal of achieving fiscal balance among provinces.

It is well understood that the focus of economic growth within a country shifts over time and that to maximize the benefits of our natural and human resources, labour and capital need to be free to move to the areas of its most productive use. Inevitably, this means that some percentage of the workforce trained in one area of the country end up working and paying taxes in another area. The federal government has a role in internalizing the cost of these provincial externalities by funding a portion of the training costs that provinces incur. In so doing the federal government could make a positive contribution to ensuring that, in aggregate, labour market needs are met and that individual provinces' taxpayers are not saddled with the cost of training individuals who will be contributing to another province's economy and tax base.

In recent years several major issues have gained prominence in terms of public interest and although some progress has been achieved, national strategies have not been fully developed in areas such as Aboriginal issues, social and economic infrastructure,

## SECTION 36(1) AND FISCAL IMBALANCE

Section 36(1) of the Constitution is often overlooked in dealing with fiscal imbalance. It is important in a number of regards: respect for jurisdictional authority, the use of economic development as a method for addressing disparities, and the need for collective action to provide all Canadians with quality public services.

## DISASTER PREVENTION

The UN estimates that $1 in mitigation investments can save at least $2 in disaster-related costs. Extending federal cost-sharing to include preventative measures would save the federal government money over the long run and provide greater stability in terms of the Equalization Program by tempering regional economic shocks.

homelessness and disaster assistance. In this regard, it is evident that regional differences and community preferences exist and that it may not be optimal to try to shoehorn everyone into a single solution. Respect for jurisdictional authority, experience and the desirability of innovation mean that flexibility needs to be built into the final arrangement. This means that it is critical to reach agreement on the overarching program principles to avoid unnecessary conditionality which would put a straightjacket on creativity and resourcefulness in solving these serious problems. Indeed, basic resource differences among provinces would likely mean that different approaches need to be taken to optimize the value of program investments.

While fiscal disparity provides the Equalization Program with a logical basis for allocation, and population provides the same for major social programs, there may be additional measures that provide a more appropriate rationale for allocation of resources aimed at addressing other "needs" of Canadians.

Factors such as age and Aboriginal populations are two demographic factors that have gained some acceptance in recent years as illustrative of divergent needs among provinces. Indeed, Manitoba is keenly aware of how population mix can affect needs since it is home to over 15% of the country's Aboriginal population, a segment of the population with significant unmet needs, but with the potential to generate significant economic development if education and labour market biases, for example, could be overcome.

That said, it will be difficult to address the serious methodological issues that arise in assessing need and to achieve agreement on objective measures. For that reason, our Province would recommend that an independent commission, permanent or otherwise, be established to assist the federal and provincial governments with the identification and evaluation of indicators of need for the purpose of allocation third tier funding.

## Conclusions/Summary

To summarize, as a federation, Canada needs to sharpen its focus and decide just how it intends to meet the expectations of its citizenry and avoid the trap of inaction that continues to plague us on many fronts. There is some sense of urgency to address the country's fiscal imbalance as we approach the point at which rising costs of an ageing population clashes with the retirement of the baby boom generation. Against such a backdrop, it is apparent that the longer we take to confront these issues, the fewer choices we will have.

In its meetings with the federal Expert Panel on Equalization and the Council of the Federation's Advisory Panel on Fiscal Imbalance, Manitoba recommended taking the following steps to move forward and put the necessary structures in place, so that the present and emerging demands Canadians are placing on governments across Canada can be effectively addressed.

- The Equalization Program needs to be improved by restoring the 10-province standard, with full revenue coverage and technical adjustments to deal with resource volatility.
- The federal government needs to step up to the plate with respect to funding other major social programs.
- The CST should be split into separate transfers for (1) PSE and Skills Training, (2) Social Services and (3) Early Childhood Initiatives for reasons of efficiency and accountability.
- Third tier issues with significant regional components, such as Aboriginal issues, infrastructure and economic development and disaster assistance should be dealt with explicitly and transparently outside of the Equalization Program and the major established block transfers for health and social programs.
- The federal government should consider whether it is possible to develop transfer mechanisms

*There is some sense of urgency to address the country's fiscal imbalance as we approach the point at which rising costs of an ageing population clashes with the retirement of the baby boom generation. Against such a backdrop, it is apparent that the longer we take to confront these issues, the fewer choices we will have.*

based on need for these third tier priorities in consultation with the provinces and supported by the advice of an independent commission.

## Appendix: EQUALIZATION – WHO PAYS?

The federal Equalization Program is often misrepresented as being funded by the "have" provinces, or as a transfer from the wealthy to the less wealthy provinces. In fact, it is a program that the federal government funds out of its general revenue. Individual Canadians and businesses in every province and territory pay the same federal taxes at the same rates. People in Toronto pay the same federal taxes as do those in St. John's. People in Quebec City have to pay GST just the same as those in Red Deer. A business in Steinbach pays the same corporation tax as one operating in Vancouver.

Equalization payments are provided to provinces and territories to ensure that all of these individuals and businesses who pay an equally fair share of their earnings to the government of Canada receive, as Canadian citizens and businesses, a reasonably comparable level of service at a reasonably comparable level of taxation. The principle of Equalization, which is enshrined in Canada's Constitution, can be understood as a national commitment to fair treatment for all Canadians, regardless of where they live in this country.

The most recent published data indicate that the federal government obtains about 44% of its revenue from individuals and businesses in Equalization-recipient provinces and just under 56% from those in non-recipient provinces. Since non-recipient provinces have roughly 49% of the population, they contribute about 7% more than their population share to federal programs, including Equalization. This 7% difference is a reflection of the fact that their per capita personal incomes are 7% higher than the national average. As well, their corporation profits, on a per capita basis, are 26% above the national average.

### COMPARATIVE STATISTICS, EQUALIZATION RECIPIENTS AND NON-RECIPIENTS, 2003

| | Recipient Provinces | Non-Recipient Provinces |
|---|---|---|
| Individuals' and Businesses' Contribution to Federal Revenue | 44% | 56% |
| Population Share | 51% | 49% |
| Difference | (7%) | 7% |
| Personal Income per capita relative to the national average | (7%) | 7% |
| Corporation Profits per capita relative to the national average | (25%) | 26% |

Note: Recipient provinces include British Columbia, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Non-recipient provinces include Alberta and Ontario, as well as the territories, which receive an alternative form of support under the Territorial Formula Financing Arrangement.

Sources: Finance Canada, Manitoba Finance and Statistics Canada

Manitoba

## Budget Paper D

# TAXATION ADJUSTMENTS

# TAXATION ADJUSTMENTS

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## SUMMARY OF 2006 TAX MEASURES

| | 2006/07 | Full Year |
|---|---|---|
| | (Millions of Dollars) | |
| **Ongoing Tax Reductions**[1] | | |
| Personal tax reductions | (30.0) | (30.0) |
| Business tax reductions | (19.9) | (36.9) |
| | **(49.9)** | **(66.9)** |
| **Personal Tax Measures** | | |
| Residential Education Support Levy eliminated | (34.0) | (34.0) |
| Middle bracket rate reduced and Basic personal amount increased | (8.2) | (32.3) |
| Dividend Tax Credit increased | (7.5) | (7.5) |
| Children's Physical Activity Tax Credit introduced | (0.8) | (3.0) |
| Adoption Expenses Tax Credit introduced | (0.1) | (0.1) |
| Personal Tax Credit eligibility age increased | 1.0 | 1.0 |
| | **(49.6)** | **(75.9)** |
| **Business Tax Measures** | | |
| Corporation Income Tax rate reduction accelerated in 2006 | (3.0) | 0.0[2] |
| Small business rate reduced | (1.8) | (7.0) |
| Co-operative Education Tax Credit enhanced | (0.5) | (3.5) |
| Capital Tax deduction increased | (0.4) | (2.5) |
| Manufacturing Investment Tax Credit enhanced | (1.8) | (1.8) |
| Oil and gas exploration Retail Sales Tax exemption introduced | (1.3) | (1.3) |
| Fuel tax exemption introduced | (0.8) | (0.8) |
| Liquor markups reduced | (0.2) | (0.2) |
| | **(9.8)** | **(17.1)** |
| **Farm and Green Measures** | | |
| Farmland School Tax Rebate increased | (4.6) | (4.6) |
| Odour Control Tax Credit enhanced | (0.5) | (0.5) |
| Biodiesel incentive introduced | (0.1) | (0.2) |
| Riparian Tax Credit, new intake | (0.1) | (0.1) |
| | **(5.3)** | **(5.4)** |
| **Technical and Administrative Measures** | **(0.4)** | **(0.4)** |
| **Net Change 2006 Budget** | **(65.1)** | **(98.8)** |
| **Net Change 2006/07 and Subsequent Years** | **(115.0)** | **(165.7)** |

[1] Ongoing tax reductions are those that were announced in previous budgets to take effect in 2006 and subsequent years. These are (a) the decrease in the general CIT rate to 14.5% on January 1, 2006 and to 14.0% on July 1, 2007; (b) the decrease in the small business CIT rate to 4.5% on January 1, 2006 and to 4.0% on January 1, 2007; and (c) the decrease in the middle bracket PIT rate to 13.5% and the increase in the basic personal amount by $100 on January 1, 2006.

[2] Revenue reductions in years after 2006/07 are included in Ongoing Business Tax Reductions, above.

## ■ EDUCATION SUPPORT LEVY

(2006/07 collections impact: $-34.0 million)

The Education Support Levy (ESL) is a province-wide property tax. In Budget 2002, Manitoba made a commitment to eliminate the residential ESL over a period of five years, without affecting revenue to school divisions.

In each of the previous four budgets, the rate was reduced. Now the tax is eliminated for residential properties for 2006. The amount collected in 2001 was $98 million. The amount collected in 2005 was $34 million.

*For more information, contact Location D, page 9.*

## ■ PERSONAL INCOME TAX

### Middle Bracket Tax Rate and Basic Personal Amount

(2006/07 revenue impact: $-8.2 million)

The middle bracket of Personal Income Tax was reduced to 13.5% on January 1, 2006. It is now further reduced to 13.0% effective January 1, 2007, saving Manitoba taxpayers $26.3 million annually. The middle bracket has been reduced in stages from 16.6% in 1999. Please see the graph "History of Middle Bracket Rate Reductions" on page D12.

The basic personal amount is increased by $100 to $7,834 in 2007, saving taxpayers another $6.0 million annually and eliminating income tax for 2,000 Manitobans.

*For more information, contact Location A, page 9.*

### Dividend Tax Credit

(Estimated 2006/07 revenue impact: $-7.5 million)

Manitoba will introduce separate credits for taxable dividends distributed by Canadian-controlled private corporations and publicly traded corporations. The changes to the Manitoba Dividend Tax Credit will be announced once details of federal changes are confirmed.

*For more information, contact Location A, page 9.*

### Children's Physical Activity Tax Credit

(Estimated 2006/07 revenue impact: $-0.8 million)

The new federal government has proposed a-tax credit in support of families with children enrolled in physical activities. Manitoba will parallel this credit once it is introduced.

*For more information, contact Location B, page 9.*

### Adoption Expenses Tax Credit

(2006/07 revenue impact: $-0.1 million)

Where a taxpayer is eligible to claim a federal adoption tax credit in 2006 and subsequent tax years, Manitoba will provide a parallel tax credit. Eligible expenditures, based on federal criteria and up to a maximum of $10,000 per adoption, will receive a non-refundable 10.9% Manitoba credit.

*For more information, contact Location B, page 9.*

### Personal Tax Credit

(2006/07 expenditure impact: $-1.0 million)

In order to align Manitoba's Personal Tax Credit with the federal GST tax credit and with comparable credits in other provinces, the eligibility age increases to 19 in 2006 and subsequent tax years. Previously, taxpayers could claim this credit in their own right in the year they turned 18. Since parents may claim the Credit for children up to age 18, the change will remove confusion about when the parent and the child may claim the Credit. Funds will be redirected to improve shelter benefits for low-income Manitobans.

*For more information, contact Location A, page 9.*

## ■ FARMLAND SCHOOL TAX REBATE

(2006/07 expenditure impact: $4.6 million)

In 2004, the Farmland School Tax Rebate was introduced as a 33% rebate of school division special levies on farmland, saving the farm community $13 million. In 2005, the Rebate was increased to 50%, bringing annual tax savings to $20 million. In 2006, the Rebate is increased to 60%, bringing total annual savings to $24.6 million. The Rebate does not reduce the amount of revenue collected for school divisions.

*For more information, contact Location B, page 9.*

## ■ ODOUR CONTROL TAX CREDITS

(2006/07 revenue impact: $-0.5 million)

Effective with the 2006 property tax year, agricultural landholders are eligible for a new Odour Control Property Tax Credit to offset 10% of the purchase price of an eligible odour control investment, provided the asset remains available for use on their land over the course of several years. This will make all farm landholders eligible to receive support for investment in odour control. A taxpayer will be eligible to claim either the Odour Control Property Tax Credit or the odour control corporation income tax credit, but not both.

Both property tax and corporation income tax credits are broadened by prescribing anaerobic digesters as eligible capital investments. Also, approval is made easier for an investment where odour control is a significant, but not necessarily the primary, purpose.

*For more information, contact Location A, page 9.*

## BIODIESEL INCENTIVE

(2006/07 revenue impact: $-40,000)

Effective March 7, 2006, for a period of five years, Manitoba-produced biofuel that meets the ASTM D-6751 standard (American Society for Testing and Materials) and that is sold as biodiesel will be exempt from both Retail Sales Tax and the Motive Fuel Tax. The exemption will apply to both 100% pure biofuel and the biofuel portion of blended biodiesel. For example, in 100 litres of B20 (a blend of 20% pure biofuel and 80% regular diesel) fuel tax is payable on the 80 litres of regular diesel in the blend. No tax applies to the 20 litres of pure biofuel in the blend.

*For more information, contact Location C, page 9.*

## RIPARIAN TAX CREDIT

(2006/07 expenditure impact: $0.1 million)

The Riparian Tax Credit promotes environmentally sound management of lakeshore and riverbanks in agricultural areas. There will be a fifth intake of agricultural operator participants in the Riparian Tax Credit program, with an application deadline of March 31, 2007. Further, the program will be enhanced to provide additional recognition for the costs of meeting riparian management conditions, such as off-site watering facilities for livestock.

*For more information, contact Location B, page 9.*

## CORPORATION INCOME TAX

### General Rate

(2006/07 revenue impact: $-3.0 million)

Budget 2005 announced the reduction in the general rate to 14.5% on July 1, 2006. This rate reduction is advanced to January 1, 2006.

The 2005 Budget announced the further reduction of the general rate to 14.0% on July 1, 2007.

Subject to balanced budget requirements, the rate will be reduced to 13.0%, effective July 1, 2008.

*For more information, contact Location A, page 9.*

### Small Business Rate

(2006/07 revenue impact: $-1.8 million)

In Budget 2005, the small business income tax rate was reduced to 4.5% on January 1, 2006, and to 4.0% on January 1, 2007. This budget supersedes the latter change by further reducing the rate to 3.0%, effective January 1, 2007. This ties Manitoba for the second-lowest rate in Canada.

*For more information, contact Location A, page 9.*

## Reduction of Corporation Income Tax Rates since 1999

| Taxable Income | 1999 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| Up to $200,000 | 8.0%[1] | 4.5% | 3.0% | 3.0% |
| $200,000 to $400,000 | 17.0% | 4.5% | 3.0% | 3.0% |
| Over $400,000 | 17.0% | 14.5% | 14.0%[2] | 13.0%[3] |

[1] Rate reduced from 9.0% July 1, 1999

[2] Effective July 1, 2007

[3] Effective July 1, 2008, subject to balanced budget requirements

### Manufacturing Investment Tax Credit

(2006/07 revenue impact: $-1.8 million)

The Manufacturing Investment Tax Credit (MITC) is renewed for a further three years to June 30, 2009.

The refundable portion of the MITC is increased from 20% to 35%. This Credit was first made partially refundable in the 2005 Budget. It allows firms without taxable income in the current year to take immediate advantage of the MITC.

*For more information, contact Location A, page 9.*

## ■ CORPORATION CAPITAL TAX

(2006/07 revenue impact: $-0.4 million)

Effective for fiscal years commencing after January 1, 2007, the $5 million deduction is doubled to $10 million. This will benefit all 2,600 corporations that currently pay capital tax and eliminate the tax for approximately 500 of these corporations. With the increased deduction, the capital tax rate for corporations with taxable paid-up capital between $10 million and $20 million is 0.3% and the rate for corporations with taxable paid-up capital over $20 million is 0.5%, with the result that less than 4% of corporations in Manitoba pay Corporation Capital Tax.

Subject to balanced budget requirements, the Corporation Capital Tax rate will be reduced from 0.5% to 0.4% for corporations with taxable paid-up capital over $20 million, and from 0.3% to 0.2% for corporations with taxable paid-up capital between $10 million and $20 million, effective for fiscal years commencing after July 1, 2008.

*For more information, contact Location C, page 9.*

## CO-OPERATIVE EDUCATION TAX CREDIT AND CO-OP GRADUATES HIRING INCENTIVE

(2006/07 revenue impact: $-0.5 million)

The Co-operative Education Tax Credit (CETC), announced in the 2003 Budget, provides a 10% credit of up to $1,000 against Corporation Income Tax for each student hired for a work placement as part of a recognized post-secondary co-operative education program. For co-op education work placements starting on or after March 7, 2006, a parallel incentive is offered to unincorporated employers and to corporations and other organizations that are exempt from income tax, including Manitoba Crown entities and employers in the not-for-profit and voluntary sectors.

In addition, a new Co-op Graduates Hiring Incentive (COGHI) is introduced. Employers, including unincorporated and tax-exempt entities, will be eligible for an incentive to hire and retain, in full-time employment in Manitoba, students who graduate after March 6, 2006 from a recognized post-secondary co-operative education program in a field of study related to the employment. The benefit will total 5% of wages and salaries paid to the graduate in each of the first two full years of employment, to a maximum of $2,500 for each year, where the employment commences within 18 months of graduation.

For taxable corporations, COGHI is fully refundable, and the CETC becomes fully refundable with respect to work placements ending in 2006 and subsequent years.

*For more information, contact Location A, page 9.*

## RETAIL SALES TAX

### Oil and Gas Exploration and Development Equipment

(2006/07 revenue impact: $-1.3 million)

Effective April 1, 2006, geophysical survey equipment, drill rigs, and well-servicing equipment, used in oil and gas exploration and development are exempt from Retail Sales Tax. This includes equipment purchased for use in Manitoba and equipment brought into Manitoba on a temporary basis.

*For more information, contact Location C, page 9.*

## MOTIVE FUEL TAX AND GASOLINE TAX

### Commercial Logging

(2006/07 revenue impact: $-0.8 million)

Effective March 7, 2006, the fuel tax exemption for commercial logging operations is expanded to include off-highway uses of fuel. Additional activities now eligible to use tax-exempt fuel include all processing activities, the off-highway transportation of forestry products, and the construction and maintenance of logging roads.

*For more information, contact Location C, page 9.*

## LIQUOR MARKUPS

(2006/07 revenue impact: $-0.2 million)

The Manitoba Liquor Control Commission will reduce its markup rates for beer produced by micro-breweries, defined as those producing less than 35,000 hectolitres per year. Similar changes will be introduced for cottage wineries, defined as those producing less than 100,000 litres per year. The changes take effect as of March 7, 2006, and are expected to provide eligible brewers and wineries with savings of $200,000 in 2006/07.

*For more information, contact Location E, page 9.*

## ■ TECHNICAL AND ADMINISTRATIVE MEASURES

(2006/07 revenue impact: $-0.4 million)

- The Manufacturing Investment Tax Credit, the Research and Development Tax Credit, and the Odour Control Tax Credit are changed to recognize multi-tiered partnership arrangements. *For more information, contact Location A, page 9.*
- MITC-qualified property includes Class 43.1 renewable energy and energy conservation equipment. The 2005 federal budget moved most Class 43.1 property into Class 43.2. The MITC is amended to ensure property previously classified as Class 43.1 and now reclassified as Class 43.2 will continue to qualify for the tax credit. *For more information, contact Location A, page 9.*
- *The Income Tax Act* will be amended to correct errors and address difficulties with provisions in the legislation. *For more information, contact Location A, page 9.*
- The Retail Sales Tax exemption for diabetic supplies is expanded to include lancets, lancing devices and blood glucose monitors purchased by diabetics for their own use. *For more information, contact Location C, page 9.*
- Retail Sales Tax refunds available on the residential purchase of a mobile or ready-to-move home are now provided as a point of sale exemption. This eliminates the refund requirements, as Retail Sales Tax will be applied by the vendor at 4% of the selling price of these homes. *For more information, contact Location C, page 9.*
- Similar to other provinces, the possession limit for cigarettes, without a valid Tobacco Dealer's Licence, is now five cartons. *For more information, contact Location C, page 9.*
- Enhanced collection measures are implemented under *The Tax Administration and Miscellaneous Taxes Act. For more information, contact Location C, page 9.*

## FURTHER INFORMATION

For further information, please consult Bulletin No. 106 at the Manitoba Finance Web site:
www.gov.mb.ca/finance/taxation
or contact the appropriate office, as listed below:

**Co-operative Education Tax Credit and Co-op Graduates Hiring Incentive; Manufacturing Investment Tax Credit; Odour Control Tax Credit and Odour Control Property Tax Credit; Personal and Corporation Income Taxes:**

A: ***Federal-Provincial Relations***
***and Research Division***
***Manitoba Finance***
Telephone: 204-945-3757
Facsimile: 204-945-5051
e-mail: fedprov@gov.mb.ca

**Adoption Expenses Tax Credit; Children's Physical Activity Tax Credit; Farmland School Tax Rebate; Riparian Tax Credit:**

B: ***Manitoba Tax Assistance Office***
***Manitoba Finance***
Telephone: 204-948-2115 in Winnipeg
Toll-free: 1-800-782-0771
Facsimile: 204-948-2263
e-mail tao@gov.mb.ca

**Corporation Capital Tax; Motive Fuel Tax; Retail Sales Tax:**

C: ***Taxation Division***
***Manitoba Finance***
Telephone: 204-945-5603 in Winnipeg
Telephone: 204-726-6153 in Brandon
Toll-free: 1-800-782-0318 (to Wpg)
Fax: 204-945-0896
e-mail: mbtax@gov.mb.ca

**Education Support Levy:**

D: ***Schools Finance Branch***
***Manitoba Education,***
***Citizenship and Youth***
Telephone: 204-945-6901
Facsimile: 204-948-2000
e-mail: mbedu@merlin.mb.ca
www.edu.gov.mb.ca/ks4/finance/

**Liquor Markups:**

E: ***Manitoba Liquor Control Commission***
Director, Purchasing
Telephone: 204-474-5512
e-mail: contact@mlcc.mb.ca

## PERSONAL TAX SAVINGS SINCE 1999

Personal Income Taxes, Education Property Tax Credits, Residential Education Support Levy and Farmland School Tax Rebate

| | Implemented in Tax Year: | | | | | | | | Cumulative |
|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Annual Totals |
| | | | | | (Millions of Dollars) | | | | (Millions of Dollars) |
| **Income Tax Reductions** | | | | | | | | | |
| 2000 Budget | 9 | 68 | 34 | | | | | | 111 |
| 2001 Budget | | 29 | 7 | 18 | | | | | 54 |
| 2002 Budget | | | 15 | | | | | | 15 |
| 2003 Budget | | | | | 39 | | | | 39 |
| 2005 Budget | | | | | | | 30 | | 30 |
| 2006 Budget | | | | | | | 8 | 34 | 42 |
| Total | | | | | | | | | 291 |
| **Property Tax Reductions**[1] | | | | | | | | | |
| 2000 Budget | 26 | | | | | | | | 26 |
| 2001 Budget | | 27 | | | | | | | 27 |
| 2002 Budget | | | 10 | | | | | | 10 |
| 2003 Budget | | | | 19 | | | | | 19 |
| 2004 Budget | | | | | 23 | | | | 23 |
| 2005 Budget | | | | | | 37 | | | 37 |
| 2006 Budget | | | | | | | 39 | | 39 |
| Total | | | | | | | | | 181 |
| **Annual Totals** | 35 | 124 | 67 | 37 | 62 | 37 | 77 | 34 | |
| **Cumulative Annual Totals** | 35 | 159 | 226 | 262 | 324 | 361 | 438 | 472 | 472 |

Totals may not add due to rounding.

[1] Property Tax Reductions result from increases to the Education Property Tax Credit, reductions to the Residential Education Support Levy, and the Farmland School Tax Rebate.

## MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

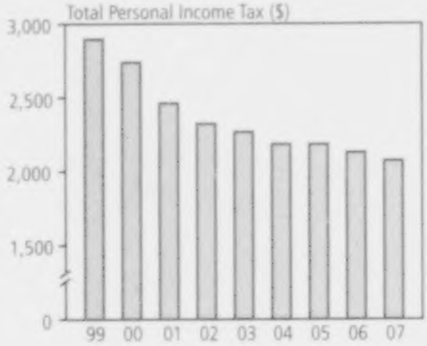
| Income | Tax in 1999 | Tax Savings in 2006 | Tax Savings in 2007 | Cumulative Savings over 7 Years | 2007 Savings over 1999 |
|---|---|---|---|---|---|
| | (Dollars) | | | (Dollars) | (Percentage) |
| SINGLE PERSON | | | | | |
| 10,000 | 178 | 112 | 123 | 746 | 69.1 |
| 20,000 | 1,369 | 189 | 198 | 1,318 | 14.5 |
| 40,000 | 4,012 | 529 | 584 | 3,134 | 14.6 |
| 70,000 | 9,153 | 1,431 | 1,616 | 7,879 | 17.7 |
| 100,000 | 14,572 | 1,630 | 1,815 | 9,405 | 12.5 |
| SENIOR COUPLE | | | | | |
| 30,000 | 571 | 513 | 535 | 3,485 | 93.7 |
| 40,000 | 1,632 | 489 | 511 | 3,379 | 31.3 |
| 60,000 | 4,542 | 742 | 791 | 4,854 | 17.4 |
| 80,000 | 7,844 | 1,078 | 1,194 | 6,398 | 15.2 |
| FAMILY OF FOUR – ONE EARNER | | | | | |
| 25,000 | 591 | 385 | 393 | 2,674 | 66.5 |
| 40,000 | 2,891 | 765 | 819 | 4,780 | 28.3 |
| 60,000 | 6,625 | 1,604 | 1,765 | 9,422 | 26.6 |
| 75,000 | 9,435 | 1,849 | 2,034 | 10,828 | 21.6 |
| 100,000 | 13,951 | 1,765 | 1,951 | 10,351 | 14.0 |
| FAMILY OF FOUR – TWO EARNERS | | | | | |
| 30,000 | 691 | 333 | 343 | 2,349 | 49.6 |
| 40,000 | 1,453 | 427 | 435 | 2,992 | 29.9 |
| 60,000 | 4,107 | 777 | 821 | 5,117 | 20.0 |
| 80,000 | 7,169 | 1,269 | 1,377 | 7,814 | 19.2 |
| 100,000 | 10,188 | 1,663 | 1,845 | 9,679 | 18.1 |

For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40%.

It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income and the other earns 40%.

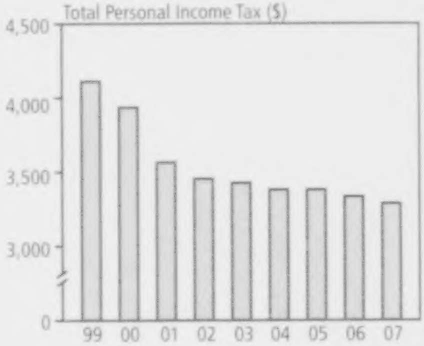
## MANITOBA INCOME TAXES SINCE 1999

### One-Earner Family of Four at $40,000



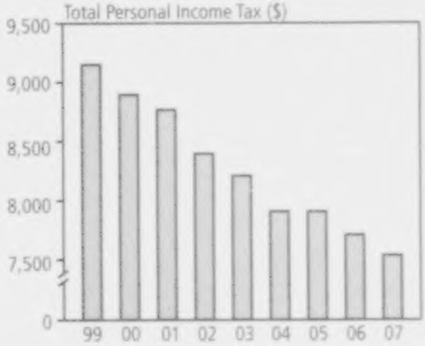
Source: Manitoba Finance

### Two-Earner Family of Four at $60,000



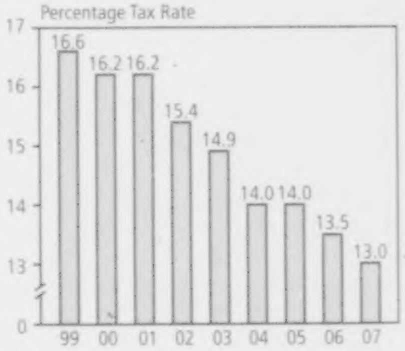
Source: Manitoba Finance

### Single Individual at $70,000



Source: Manitoba Finance

### History of Middle Bracket Rate Reductions



Source: Manitoba Finance

## ALTERNATIVE INTERPROVINCIAL TAX RANKINGS

It is common practice to compare provinces' basic personal amounts, and other non-refundable tax credits, as a measure of interprovincial tax competitiveness. However, this is not an accurate reflection of the tax savings to taxpayers. It neglects provinces' tax reduction credits and does not factor in the credit rates.

The tables below illustrate the impact of these factors on provincial rankings. The table on the left compares provinces' basic personal amounts only, and the table on the right compares the tax savings when all three factors are taken into account.

### 2006 Basic Personal Amount

| Province | Basic Credit $ |
|---|---|
| Alberta | 14,799 |
| Québec | 9,330 |
| British Columbia | 8,858 |
| Saskatchewan | 8,589 |
| Ontario | 8,377 |
| New Brunswick | 8,061 |
| **Manitoba** | **7,734** |
| Prince Edward Island | 7,412 |
| Newfoundland and Labrador | 7,410 |

### 2006 Ranking with Basic Personal Tax Credit and applicable credit rate and provincial tax reductions

| Province | Tax Savings $ |
|---|---|
| Québec | 1,866 |
| Alberta | 1,480 |
| New Brunswick | 1,248 |
| Newfoundland and Labrador | 1,199 |
| **Manitoba** | **1,068** |
| Prince Edward Island | 976 |
| Saskatchewan | 945 |
| Nova Scotia | 936 |
| British Columbia | 896 |

## 2006 INTERPROVINCIAL COMPARISON OF TAX RATES

| | BC* | AB | SK | MB* | ON |
|---|---|---|---|---|---|
| Personal Income Tax | | | | | |
| Top Marginal Rate (%) [1] | 14.70 | 10.00 | 15.00 | **17.40** | 17.41 |
| **Health Care Premiums ($)** [2] | 1,296 | 1,056 | – | – | 0 to 900 |
| **Corporation Income Tax (%)** | | | | | |
| Small Rate [3] | 4.50 | 3.00 | 5.00 | **4.50** | 5.50 |
| General Rate | 12.00 | 11.50 | 17.00 | **14.50** | 14.00 |
| **Capital Tax (%)** [4] | – | – | 0.60 | **0.30** | 0.30 |
| Banks | 3.00 | – | 3.25 | **3.00** | 0.90 |
| **Employer Payroll Tax (%)** [5] | – | – | – | **2.15** | 1.95 |
| **Sales Tax (%)** [6] | 7.00 | – | 7.00 | **7.00** | 8.00 |
| **Diesel Fuel Tax (¢/l)** [7] | 15.00 | 9.00 | 15.00 | **11.50** | 14.30 |
| **Gasoline Tax (¢/l)** [8] | 14.50 | 9.00 | 15.00 | **11.50** | 14.70 |
| **Tobacco Tax (¢/cigarette)** [9] | 17.90 | 16.00 | 17.50 | **17.50** | 12.35 |

* Table reflects 2006 Budgets for BC and MB only.

[1] Top marginal rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

[2] The premiums for the QC prescription drug plan are based on income and are a maximum of $521 for a single person and $1,042 for a family. The premiums for BC and AB are the family rates; lower rates apply for individuals. ON calculates premiums based on taxable income: for incomes of $20,000 or less the premium is zero and the maximum premium of $900 is reached at an income of $200,600.

[3] NB rate will decrease from 2.0% to 1.5% on July 1, 2006.

[4] MB has a $5 million deduction and a 0.2% surtax on taxable paid-up capital in excess of $10 million. SK has a $10 million deduction, a $10 million supplemental deduction based on a company's wage allocation to SK, and a 3.6% surcharge for resource companies. NB and NS have a $5 million exemption. QC has a $1 million exemption and graduated rate reductions for the range between $1 million and $4 million. ON has a $7.5 million deduction. NS's rate will decrease from 0.275% to 0.25% on July 1, 2006.

## FEDERAL AND MANITOBA INCOME TAX RATES, 2006

### Personal Income Tax Rates

| Federal Rate | Taxable Income Range | Manitoba Rate | Taxable Income Range |
|---|---|---|---|
| 16%† | $0 - $36,378 | 10.9% | $0 - $30,544 |
| 22% | $36,379 - $72,756 | 13.5% | $30,545 - $65,000 |
| 26% | $72,757 - $118,285 | 17.4% | over $65,000 |
| 29% | over $118,285 | | |

† Based on the rate proposed by the new federal government

| QC | NB | NS | PE | NL | |
|---|---|---|---|---|---|
| | | | | | **Personal Income Tax** |
| 19.22 | 17.84 | 19.25 | 18.37 | 19.64 | Top Marginal Rate (%) [1] |
| 0 to 1,042 | – | – | – | – | **Health Care Premiums ($)** [2] |
| | | | | | **Corporation Income Tax (%)** |
| 8.50 | 1.50 | 5.00 | 6.50 | 5.00 | Small Rate [3] |
| 9.90 | 13.00 | 16.00 | 16.00 | 14.00 | General Rate |
| 0.53 | 0.30 | 0.25 | – | – | **Capital Tax (%)** [4] |
| 1.05 | 3.00 | 4.00 | 5.00 | 4.00 | Banks |
| 4.26 | – | – | – | 2.00 | **Employer Payroll Tax (%)** [5] |
| 7.50 | 8.00 | 8.00 | 10.00 | 8.00 | **Sales Tax (%)** [6] |
| 16.20 | 16.90 | 15.40 | 11.50 | 16.50 | **Diesel Fuel Tax (¢/l)** [7] |
| 15.20 | 14.50 | 15.50 | 11.50 | 16.50 | **Gasoline Tax (¢/l)** [8] |
| 10.30 | 11.75 | 15.52 | 17.45 | 17.00 | **Tobacco Tax (¢/cigarette)** [9] |

[5] NL exempts firms with payrolls of less than $600,000. ON exempts payrolls of less than $400,000. MB exempts firms with payrolls of less than $1 million. QC has graduated rates for firms with payrolls of under $5 million.

[6] Sales Tax refers to general rate only. PE applies the sales tax on top of GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

[7] Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre, respectively. QC applies QST, and NB, NS and NL apply HST. PE applies provincial sales tax on the wholesale price.

[8] Vancouver, Victoria and Montréal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre, respectively. QC applies QST, and NB, NS and NL apply HST. PE applies provincial sales tax on the wholesale price.

[9] SK, MB, NB, NS and NL apply sales tax to all tobacco products.

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## Corporation Income Tax Rates

| | Federal | Manitoba |
|---|---|---|
| Basic Rate* | 21.00% | 14.50% |
| Surtax | 1.12% | |
| Total | 22.12% | |

* After provincial abatement and general rate reduction

## Small Business Income Tax Rates

| | Federal | Manitoba |
|---|---|---|
| Basic Rate | 12.00% | 4.5% |
| Surtax | 1.12% | |
| Total | 13.12% | |
| Threshold | $300,000 | $400,000 |

# Appendix: TAX EXPENDITURES 2005/06

## Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results.

A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral, or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

## Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well.

Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

## Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results.

1. There are no formal accounting guidelines for tax expenditures.
2. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures.
3. The values in the account are estimates.

Point 2 can best be illustrated by example. Changing something that is a deduction from income (ex: RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

## Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes, and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2005/06 fiscal year. They do not include measures announced in the 2006 Budget, or measures announced in previous budgets for implementation after 2005.

Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's *Estimates of Expenditure*. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

|  | 2005/06 (Millions of Dollars) |
|---|---|
| **CREDITS (actually accounted for as expenditure items)** |  |
| Education Property Tax Credit (including the Homeowner's Advance) | 182.5 |
| Personal Tax Credit | 48.8 |
| Farmland School Tax Rebate | 24.6 |
| School Tax Credit for Homeowners | 2.7 |
| Political Contribution Tax Credit (for individuals only) | 0.7 |
| Community Enterprise Development Tax Credit | 0.6 |
| Riparian Tax Credit | 0.1 |

## MANITOBA TAX EXPENDITURES, 2005/06

| | (Millions of Dollars) |
|---|---|
| **PERSONAL INCOME TAX** | |
| (a) **Deductions from Income** (federal legislation – mandatory under tax collection agreements) | |
| Contributions to RRSPs | 124.4 |
| Contributions to RPPs | 62.1 |
| Capital gains inclusion rate | 53.7 |
| Lifetime capital gains exemption | 23.2 |
| Social assistance, WCB, and OAS/GIS (non-taxable income) | 16.9 |
| Union dues and professional fees | 14.1 |
| Child-care expenses | 9.7 |
| Northern residents deduction | 5.8 |
| Moving expenses | 1.6 |
| (b) **Non-refundable tax credits** (basic credits provided federally and by all provinces) | |
| Basic personal | 545.9 |
| CPP/EI | 95.8 |
| Charitable donations | 57.0 |
| Age | 26.2 |
| Tuition fees and education amount | 22.8 |
| Spousal | 21.3 |
| Medical expenses | 21.2 |
| Eligible dependent | 12.9 |
| Private pension | 10.7 |
| Disability | 8.4 |
| Foreign tax credit | 2.3 |
| Caregiver | 1.3 |
| Student loan interest | 0.9 |
| Infirm dependents | 0.1 |
| (c) **Other Manitoba Tax Measures** | |
| Labour-sponsored Fund Tax Credit | 2.6 |
| Mineral Exploration Tax Credit | 0.6 |
| Overseas Employment Tax Credit | 0.3 |
| Manitoba Equity Tax Credit | 0.01 |
| **CORPORATION INCOME TAX** | |
| Low rate for small business | 117.1 |
| Manufacturing Investment Tax Credit | 30.5 |
| Research and Development Tax Credit | 15.0 |
| Film and Video Production Tax Credit | 14.1 |
| Odour control Tax Credit | 0.5 |
| Co-operative Education Tax Credit | 0.2 |
| **PAYROLL TAX** | |
| $1 million exemption | 111.0 |
| Exemption for extra-provincial commercial carriers | 11.8 |

## RETAIL SALES TAX

| Exemptions | (Millions of Dollars) |
|---|---|
| Groceries | 185.6 |
| Farm machinery and repairs | 39.2 |
| Farm and organic fertilizer | 20.0 |
| Prescription drugs and medicine | 17.6 |
| Farm pesticides and herbicides | 15.2 |
| Books, free magazines and newspapers, and school yearbooks | 15.2 |
| Natural gas for residential heating | 15.2 |
| Electricity for residential heating | 12.7 |
| Electricity used for manufacturing or mining | 11.2 |
| Medical supplies, appliances and equipment | 11.1 |
| Purchased water | 9.9 |
| Children's clothing and footwear | 9.2 |
| Custom software & computer programming | 6.0 |
| Vehicle trade-ins | 5.7 |
| Toll-free calls | 4.7 |
| Vehicle private buy/sell refunds | 3.1 |
| Direct agents (manufacturing & service industries, drill bits & explosives used in mining industry) | 2.2 |
| Municipal exemptions (including ambulances, fire trucks and related equipment, gravel/sand for own use) | 1.4 |
| Feminine hygiene products | 1.0 |
| Mobile, ready-to-move and modular homes refunds | 0.6 |
| Films for public broadcast | 0.4 |
| Farm manure slurry tanks and lagoon liners | 0.3 |
| Qualifying geophysical survey and exploration equipment and prototype mining equipment | 0.1 |

## FUEL TAX

| | |
|---|---|
| Marked gasoline and diesel | 46.0 |
| Gasohol taxed at lower rate | 2.2 |

## CORPORATION CAPITAL TAX

| | |
|---|---|
| $5 million deduction | 30.1 |
| Credit unions and caisses populaires exemption | 14.0 |
| Co-operatives exemption | 0.7 |

All estimates are based on information available at the time of publication.
In some cases new information may revise estimates, which may not be consistent with previous estimates.

Manitoba

## Budget Paper E

# THE MANITOBA ADVANTAGE

# THE MANITOBA ADVANTAGE

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# THE MANITOBA ADVANTAGE

Manitobans have confidence in their province. This confidence is rooted in rising incomes, a diversified and stable economy, and our continued success in meeting challenges and winning markets both in Canada and around the world.

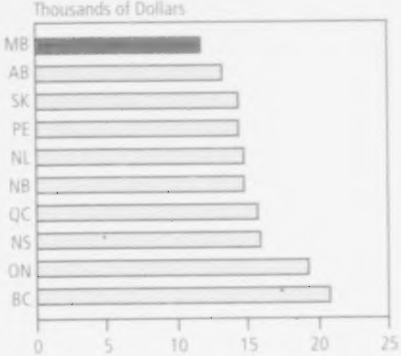
This confidence is reflected in the exceptional growth in the record of consumer spending in the province since 2000. Retail sales in Manitoba have grown by about $3.1 billion over the past five years. This 33% increase in retail spending is one the highest growth rates in Canada.

Another way Manitobans are showing their confidence is through investment in the province. For many Manitobans, their investment is in their homes. Single family home construction in Manitoba has outpaced Canada's growth in four of the last five years. According to Canada Mortgage and Housing Corporation (CMHC), Manitoba is the only province in Canada which will see continued growth in single-detached starts in 2006 and 2007.

Manitoba's total new housing starts construction, including apartments and condominiums, has increased by 85% over the past five years, significantly stronger than Canada's increase and one of the best increases among provinces. This record of increasing levels of home construction will continue. CMHC forecasts that almost 10,000 more housing units will be built in Manitoba over the next two years.

For others, investing in Manitoba means investing in machinery and equipment, offices and commercial buildings. A number of major capital investments have been made in Manitoba over the past several years, including the MTS Centre, major capital investments in the chemicals industry by Albchem Industries Ltd. and Nexen Inc., the J.R. Simplot potato processing plant in Portage la Prairie, major expenditures in mining by companies like Inco Ltd. and HudBay Minerals Inc., and a number of major investments in life sciences industries by companies like Biovail and Cangene Corporation.

## 2006 COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES: ONE-EARNER FAMILY OF FOUR EARNING $40,000*



* includes income tax, retail sales and gasoline taxes, health premiums, child benefits, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

## Manitoba Credit Ratings, February 2006

| | Credit Rating |
|---|---|
| Moody's Investors Service | Aa2 |
| Standard & Poor's | AA- |
| DBRS | A(high) |

Moody's - reaffirmed July 2005
Standard & Poor's - reaffirmed July 2005
DBRS - confirmed May 2005

## Average House Price Senior Executive

| | |
|---|---|
| Vancouver | $908,286 |
| Toronto | 883,558 |
| Calgary | 625,400 |
| Montréal | 528,570 |
| Halifax | 396,667 |
| Saint John | 396,000 |
| St. John's | 278,000 |
| Regina | 277,500 |
| **Winnipeg** | **276,000** |
| Charlottetown | 260,000 |

Source: Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2005*

## Average House Price Standard Townhouse

| | |
|---|---|
| Vancouver | $374,333 |
| Toronto | 287,624 |
| Calgary | 197,322 |
| Montréal | 182,250 |
| Halifax | 161,167 |
| Regina | 125,500 |
| Saint John | 118,900 |
| Charlottetown | 105,000 |
| St. John's | 104,667 |
| **Winnipeg** | **100,813** |

Source: Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2005*

Investment in machinery and equipment (M&E is a crucial element of economic performance That is because investment enhances an economy' productive capacity, and leads to greater productivit and growing incomes. M&E investment lays th foundation for future growth and competitiveness. According to Statistics Canada, the level of rea (after inflation) investment in M&E grew by 30% i Manitoba between 1999 and 2004. This is one of th strongest growth rates among provinces and almos double the rate of growth for Canada overall.

Overall capital investment growth is expected t continue, with Manitoba leading all province in 2006. According to Statistics Canada, capita investment is expected to rise 15% this year, wit private capital investment climbing by 10%, doubl the national rate of increase.

What makes Manitoba an attractive place to invest The province offers investors a competitive busines environment – an environment built upon a uniqu combination of factors we call The Manitob Advantage:

- a productive, well-educated and multilingual labou force
- an extremely favourable business cost environment including competitive office and land costs, lo construction costs and affordable taxes
- one of North America's lowest electricity costs wit highly reliable, renewable and environmentall responsible hydro-electricity
- modern and extensive communication infrastructure
- an extensive network of research and developmen facilities, supporting innovation and technolog diffusion
- a convenient mid-continent location in the Nort American central time zone

- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- an extremely favourable cost of living, including among the lowest auto insurance rates in Canada
- reliable and accessible public services, including quality universal public health care and education
- safe communities, affordable child care, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life

This budget paper provides details on The Manitoba Advantage, including business and personal costs and taxes, facts on Manitoba's quality of life and Manitoba's Arts and Culture Advantage.

## What is the Manitoba Advantage?

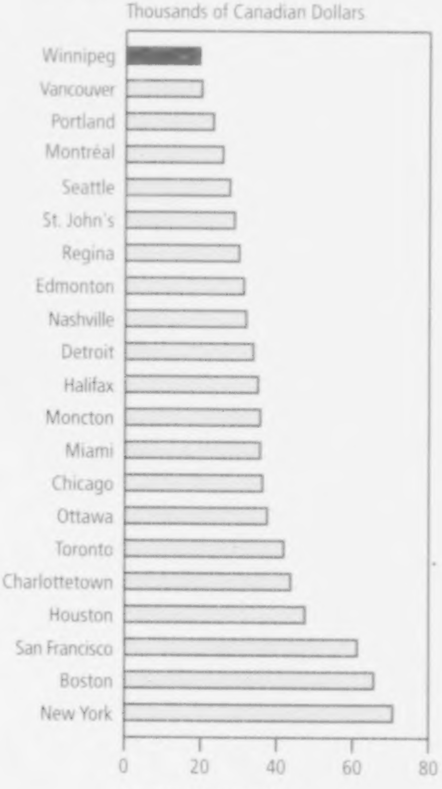
Manitoba has one of Canada's most diverse economies. It is home to a number of major industries including aerospace, bus manufacturing, food processing, health products and research, financial services, cultural industries, electricity, chemicals, agriculture and transportation. While the province has considerable strength, it also has balance: no one sector dominates the Manitoba economic landscape.

Provincial economic diversity adds stability to the overall economy. Manitoba's real Gross Domestic Product (GDP) growth has been one of the most consistent among the provinces over the last five years. This economic certainty contributes to a more stable work force and a predictable local business climate.

Manitoba's published hydro-electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts, with tremendous potential for future growth. Virtually all of the province's electricity is generated by clean, reliable and environmentally desirable water-powered facilities. In addition, in 2006 a new 99 MW wind

*Manitoba's published hydro-electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts with tremendous potential for future growth.*

**Monthly Electricity Cost**
**Commercial/Industrial Customer**
**1,000 kW and 400,000 kW h, 2005**



Source: Hydro-Québec

farm will be fully operational, adding even more clean energy supply to Manitoba's electricity portfolio.

Manitoba is located at the northern end of the mid-continental trade corridor, as well as at the major junction of Canada's east-west transportation system. Winnipeg is the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. These factors position Manitoba to further expand trade and transportation links. Winnipeg's extensive and modern rail car marshalling facilities can handle over 5,000 rail cars per day. Three of Canada's top ten for-hire trucking carriers are headquartered in Winnipeg. An estimated 350-400 carrier firms operate in Manitoba, and 90% of these operate interprovincially or internationally. Together, these facilities offer substantial flexibility and cost savings to business, with ready access to the world's largest market.

A flexible and convenient air transportation system is vital to business success. Winnipeg International Airport is one of the few major North American airports that operates 24 hours a day. The airport offers a broad range of services, including international carriers, commuter airlines, jet freight, and extensive cargo and courier facilities. In 2005, it served a record high 3.2 million passengers, an increase of 6.5% from 2004, and moved over 150 million kilograms of air cargo. Also in 2005, the Winnipeg Airports Authority embarked on an extensive, multi-year capital improvement program with planned investment of $560 million over the next four years, including the construction of a new air terminal building.

Churchill is the only deep-water port in the Prairie region. Located on Hudson Bay, the port brings Atlantic Ocean trade diversity into Western Canada. The Port of Churchill offers shippers major cost advantages for ocean shipping to and from Europe, Africa and Latin America.

Manitoba has an abundance of natural resources. The mining industry extracts and processes a diverse mix of minerals including nickel, zinc, copper, gold, cesium, tantalum and oil. Manitoba has a large and long-established forestry industry that produces paper, newsprint and lumber. The inland commercial fishing industry is one of Canada's largest. A temperate climate, rich soil, fresh water and a large land base have made Manitoba a key agriculture producer. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources now and in the future.

Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all the province's population.

Research and innovation continue to play an important role in Manitoba's economic growth and diversification. The province has a strong and growing knowledge cluster in a number of fields, although the research and development (R&D) presence is most notable in life sciences. Private industry, government and post-secondary institutions contribute to the province's growing R&D infrastructure.

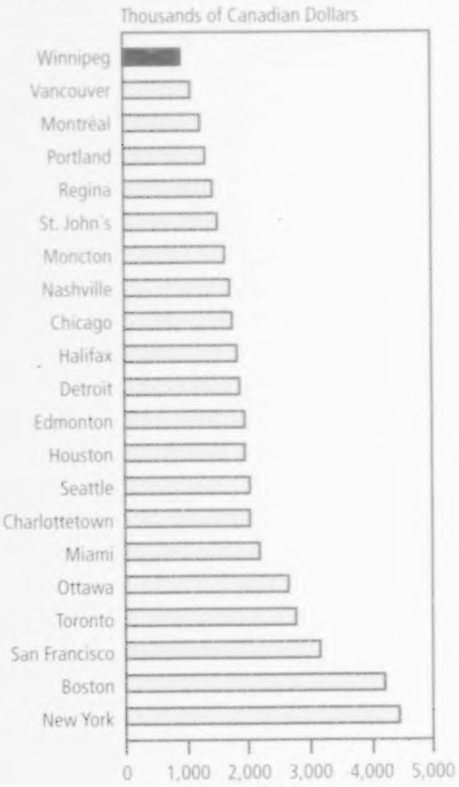
Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers offering benefits paid an average of more than US$8,000 per employee for family health care insurance in 2005.

Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the most affordable in Canada. About 21,000 students

**Monthly Electricity Cost**

**Commercial/Industrial Customer**

**50,000 kW and 30,600,000 kW h, 2005**

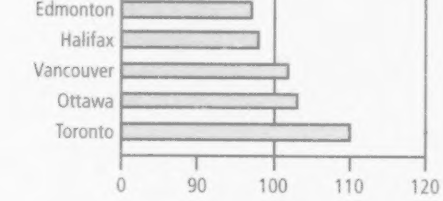


Source: Hydro-Québec

attend the University of Manitoba, the largest of Manitoba's five universities, on a full-time basis, with another 16,000 attending part-time. The University offers a wide range of post-secondary programs, including a diverse selection of graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering and agriculture. Another 17,000 students are enrolled in full- or part-time study at Manitoba's four other universities. As well as university study, over 15,000 students are enrolled in full- or part-time study at Manitoba's four community colleges.

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. More details on Manitoba's business cost advantage can be found in Appendix I, Manitoba's Competitive Environment for Manufacturing (see page 12).

## Intercity Index of Retail Price Differentials, October 2004



Source: Statistics Canada

## Manitoba's Quality of Life Advantage

Winnipeg is a growing cosmopolitan centre of 700,000, and workers enjoy the benefits of convenient and community-minded living. The average commuting distance to work in Winnipeg is less than six kilometres, the lowest of any Canadian city with population over 500,000.

Winnipeg is recognized as one of Canada's most family-friendly cities. Affordable living costs, good schools, excellent child-care options and safe neighbourhoods make Manitoba a highly desirable place to raise a family.

Manitobans care. The rate of volunteerism in the province is consistently among the highest in the nation. Moreover, Manitobans have the highest proportion of charitable giving of any province. This reflects Manitobans' community spirit and long tradition of helping others. The Government of Manitoba also provides indirect contributions to culture through tax credits on charitable donations. In 2003 over $658 million was donated to all registered charities in the province, including $310 million from individuals. Through income tax deductions and credits, the government of Manitoba supported charitable donations in the amount of $105 million in 2003, including $49 million in tax credits to individuals.

Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitoba also boasts many contemporary cultural attractions.

Manitoba's diverse population has created a rich and fascinating mosaic of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page 9.

*Manitoba's diverse population has created a rich and fascinating mosaic of cultural and artistic accomplishments.*

In November 2004, the new $135 million, 15,000 seat multi-use sports and entertainment facility, the MTS Centre, opened in Winnipeg. With superb acoustics and excellent sightlines, the world-class MTS Centre venue is drawing numerous entertainment events to Manitoba. In 2005, an entertainment industry survey showed that the Centre had become one of the top ticket venues in North America. In 2007, the MTS Centre will be the site of the Women's World Hockey Championships. The location of this state-of-the art facility in downtown Winnipeg is also acting as a catalyst for further development of Winnipeg's downtown district, which is already the site of many major capital projects this year.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, American Hockey League and the Northern Baseball League. With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. More than one in four Manitobans tee off in the province each year. In 2006, football fans from across Canada will converge in Winnipeg in the fall as we play host to the CFL Grey Cup Championship game.

Manitobans enjoy their natural environment. Beaches, lakes, rivers and parks are an integral part of Manitoba's quality of life. Manitoba is a province of 100,000 lakes – you're never far from an opportunity to participate in water sports like canoeing, kayaking, or swimming, or to just relax at one of Manitoba's world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation homeownership in the country. Winnipeg is green – the city is home to the largest urban forest park in Canada, and Winnipeg is also home to the largest mature elm tree urban forest in North America. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey! Whether you are an observer or a participant, the choices for recreation are almost endless.

*Manitobans enjoy their natural environment. Beaches, lakes, rivers and parks are integral parts of Manitoba's quality of life.*

## Conclusion

Budget 2006 builds on Manitoba's considerable advantages. To show Manitoba's cost competitiveness in more detail, two Appendices are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see page 12). The second is an Interprovincial Comparison of Annual Personal Costs and Taxes (see page 19).

## THE MANITOBA ARTS AND CULTURE ADVANTAGE

Culture and the arts are an integral part of the Manitoba way of life and economy. Our strong cultural scene enriches our lives, and is built on our diverse ethnic fabric, world-class attractions, and the imagination and creativity of our citizens. As an economic sector, culture stimulates creativity and growth. It is for all of these reasons that the Manitoba government actively supports and promotes the cultural scene in the province.

### The Manitoba Arts and Culture Scene

Manitoba has one of the most diverse cultural environments in Canada: more than one-fifth of Manitobans are members of a visible minority. This diversity, combined with our love of the arts and culture, provides the nurturing environment for artistic and cultural expression to blossom.

Our Aboriginal communities are among the largest and most creative in Canada, and new initiatives by the government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program, the Aboriginal Arts Education Program and the Aboriginal Music Program help to bring the creative genius of our Aboriginal community together to the benefit of all Manitobans. In November, Manitoba will host the 2006 Canadian Aboriginal Music Awards and launch the new Manito Ahbee Festival. The weekend-long event will be an exciting celebration of Manitoba's dynamic Aboriginal culture and heritage.

Manitoba's cultural industries continue to enjoy a high degree of profile, success and recognition on national and international stages. In the fall of 2005, local novelist David Bergen was awarded the 2005 Giller Prize for his book *The Time in Between*. The Giller Prize is Canada's top literary award and Mr. Bergen was the first Manitoban to ever receive this important award. The locally shot feature film *Capote* has been nominated for five 2006 Academy Awards® – including Best Picture. This marks the first time a Manitoba-made feature film has received such prestigious Academy Awards® nominations. Eight Manitobans have also recently received 2006 Juno Award nominations – the second year in a row that Manitoba has garnered eight nominations for the country's highest music industry awards.

Manitoba is home to the second-largest Francophone community outside of Quebec in Canada and is steeped in rich tradition. The French Quarter of St. Boniface hosts the Centre culturel franco-manitobain with many resident Francophone organizations such as L'Ensemble folklorique de la rivière-rouge, as well as Cercle Molière, Canada's oldest continuously operating professional theatre company. Other Francophone communities throughout the province are home to numerous annual cultural events and organizations that make Manitoba a great place to live, in both official languages.

Manitoba supports a number of diverse cultural organizations and activities throughout the year that enrich the lives of Manitobans and attract many visitors to a province that embraces diversity. Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of the largest Filipino communities in Canada and many vibrant Ukrainian and Mennonite communities throughout the province.

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was one of the first dance companies to be established in Canada and performs around the world. The Manitoba Theatre Centre, the Winnipeg Symphony Orchestra, the Manitoba Opera, the Winnipeg Art Gallery, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the many attractions found throughout the province. The Manitoba Museum is a highlight for visitors to the province, and has achieved the Michelin Guide three-star rating.

Manitoba also boasts many contemporary cultural attractions such as the Plug In Institute for Contemporary Art, the Winnipeg Film Group, Platform: Centre for Photographic and Digital Arts, and Urban Shaman, an Aboriginal artist-operated centre that presents contemporary visual art.

There are also exceptional venues across the province, ranging from the newly expanded Keystone Centre and the Western Centennial Auditorium in Brandon, to Prairie Theatre Exchange, Rainbow Stage and the Manitoba Theatre for Young People. In 2004, Manitobans saw the opening of the MTS Centre, the new 15,000 seat, $135 million entertainment centre and arena. According to industry surveys, the MTS Centre is one of the busiest ticket venue locations in North America. The MTS Centre is just one of many new investments in Winnipeg's downtown district.

Manitoba boasts many world-class festivals throughout the year. In winter, the Festival du Voyageur attracts thousands of visitors to Winnipeg's French Quarter. Further north, the Northern Manitoba Trappers' Festival in The Pas brings the frontier spirit of the North to life. In Brandon, the Royal Manitoba Winter Fair attracts people from across Canada. In 2006, visitors to the Fair will enjoy the benefits of Brandon's new agriculture centre of excellence venue.

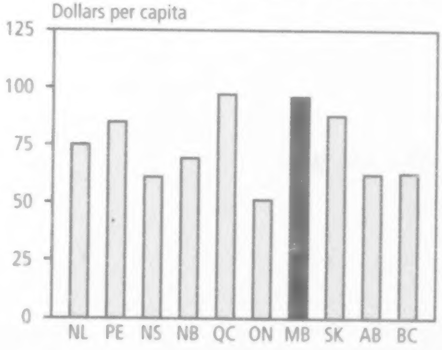
People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, the world's largest cultural festival. Folklorama attracts over 400,000 visits to over 40 pavilions during its two-week run and was voted the best festival in Canada. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, boasted a total paid attendance of over 66,000 in the summer of 2005. The Winnipeg Folk Festival attracts over 55,000 attendees and contributes more than $16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Islendingadagurinn Festival in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame, a film festival for children and young people, and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

## Provincial Support for Arts and Culture

Arts and culture play a key role in enhancing our economy and economic competitiveness. Manitoba has one of the highest per capita revenue and attendance levels for arts and culture in Canada, and the sector employs over 14,000 people. A recent study by the Canada West Foundation, *Culture and Economic Competitiveness*, highlights the social benefits that cultural industries can provide. These include improving health and well-being, enhancing community identity and social cohesion, and facilitating community revitalization.

Culture and the arts are actively supported by the Manitoba government, which directly spent over $112 million on culture during the 2003/04 fiscal year, the latest period for which Statistics Canada's data on culture is available. At $96 per person, Manitoba has the second-highest provincial per capita spending on culture. In addition, the province provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

**Provincial Government Per Capita Expenditures on Culture, 2003/04**



Source: Statistics Canada

The video and film production industry is rapidly expanding in the province with production budgets of almost $100 million last year. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba government provided over $18.2 million in direct support for this industry in 2005/06. In 2005, Manitoba announced that it will strengthen its support for film production in the province through enhancements to the Film Tax Credit program.

## Appendix 1: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest economic sector, accounting for approximately 13% of provincial GDP and two-thirds of total foreign merchandise exports. Approximately 70% of Manitoba's merchandise exports to the United States are manufactured goods.

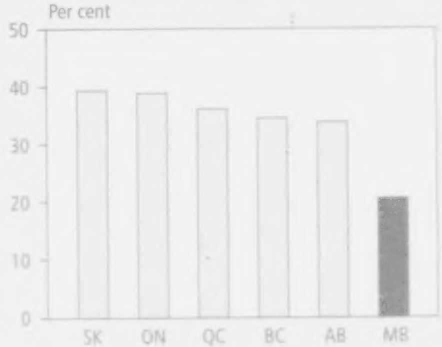
In 2005, manufacturing industries employed 69,000 people, or one in eight Manitoba workers. Only in Quebec and Ontario does manufacturing account for a greater share of total employment. Many more Manitobans work in industries that depend on manufacturing activities.

### Manitoba's Marginal Effective Tax Rate for Manufacturing

The Marginal Effective Tax Rate (METR) is an alternative and increasingly common tool for comparing the impact of taxes on investment decisions. The results of the METR analysis are broadly consistent with the results of the Manitoba manufacturing competitiveness model. Recent reports by the C.D. Howe Institute[1] and the federal Department of Finance[2] have shown that Manitoba has the lowest METR for manufacturing west of New Brunswick. (The METR in the Atlantic Provinces is lower because of the federal Atlantic Investment Tax Credit. Assessed solely on provincial taxes, Manitoba has the lowest METR for manufacturing among all the provinces.)

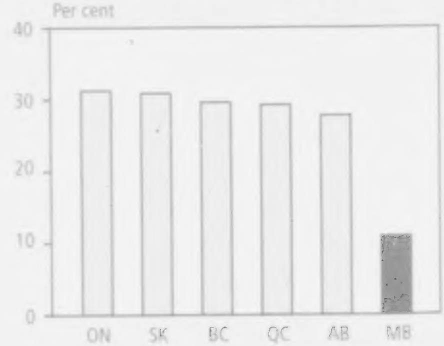
The charts to the right show the calculated manufacturing METR for the six non-Atlantic provinces from the C.D. Howe and Finance Canada studies. Due to differences in methodology, and the use of two different tax years, 2005 and 2010, respectively, the two studies report different values for METRs. Manitoba has the best ranking in both.

**METR, C.D. Howe, 2005**



Source: The 2005 Tax Competitiveness Report: Unleashing the Canadian Tiger

**METR, Finance Canada, 2010**



Source: Tax Expenditures and Evaluations, 2005

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1 www.cdhowe.org/pdf/commentary_216.pdf

2 www.fin.gc.ca/taxexp/2005/taxexp2005_e.pdf

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, chemicals and fertilizers, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, apparel, newsprint, plastic products, manufactured windows and fabricated metals. Manitoba is North America's largest manufacturer of buses. Canada's largest furniture factory, owned by Palliser Furniture Ltd., is located in Manitoba. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city. Manitoba is also Canada's third-largest aerospace centre.

Manitoba's competitive and cost-effective business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to the rest of North America. Industrial and commercial land costs are lower than in other major metropolitan centres, and Manitoba's published electricity costs are among the lowest in the world. Manitoba has a skilled and well-educated work force ready to take advantage of the opportunities provided by the province's growing manufacturing sector.

Manitoba Finance's competitiveness model is used to compare the tax structure and cost environment for a representative small and larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates start-up costs, operating costs and financial and taxation profiles over a period of twenty years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

## Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a small and a larg
manufacturing firm over a 20-year period:

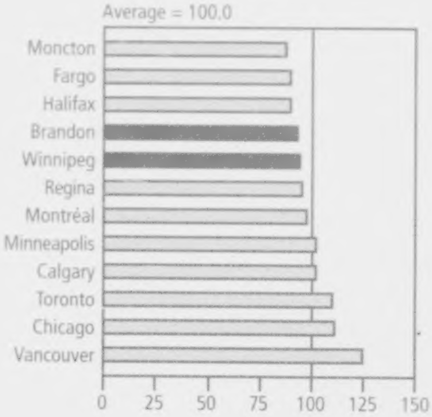
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

This analysis uses a variable cost model and calculates net revenue and cash flow, including start-u
costs, based on the operating costs in each location. The results for each city are compared to th
overall average of all cities for each of the indicators and presented in the charts that follow.

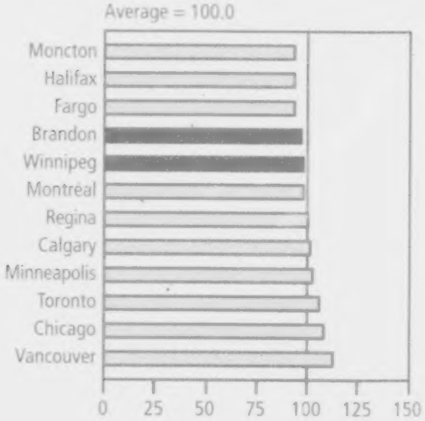
## Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) ar
lower in Manitoba than the average for all cities. Taxes have a negligible impact on net costs. Th
net cost of investment for larger metropolitan centres tends to be higher than the overall averag
primarily because of the cost of land and construction labour costs. The results presented ar
consistent with those of previous years.

### Net Cost of Investment
### Small Manufacturing Firm



### Net Cost of Investment
### Larger Manufacturing Firm



## Pre-Tax Net Income

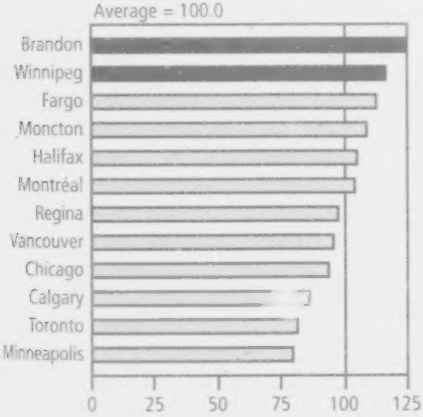
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages
- local utility charges (electricity and telephone)
- interest costs
- capital depreciation

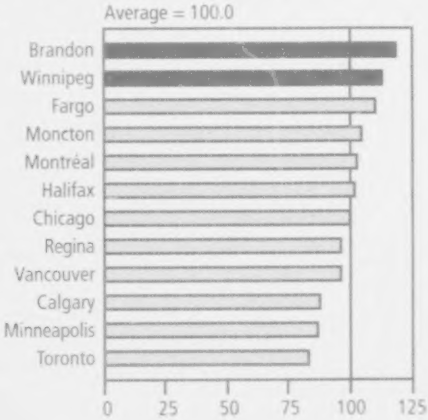
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, $4 million for the small firm and $45 million for the larger firm, for years five through 20. Production material costs are expressed as a percentage of sales and are also fixed across jurisdictions.

Brandon and Winnipeg yield the highest pre-tax net income for both the small and larger manufacturing firms. A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

### Pre-Tax Net Income Small Manufacturing Firm



### Pre-Tax Net Income Larger Manufacturing Firm



## Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income the 20-year period.

The following operating taxes are included in the analysis:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums
- employer-paid health premiums

The following tax expenditures that benefit the manufacturing sector are also taken into accour

- investment tax credits
- tax holidays
- accelerated capital cost allowances
- preferential tax rates

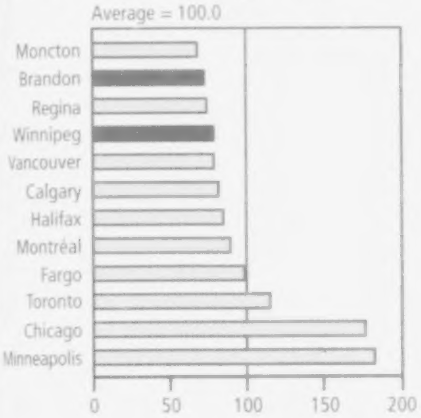
Not included in the model are enterprise zones, grants, and other forms of governmental and th party financial assistance programs.

The effective tax rates in Manitoba are well below the overall average. Among Canadian ci Manitoba cities have lower than average effective tax rates for small manufacturing firms. They average for larger firms.

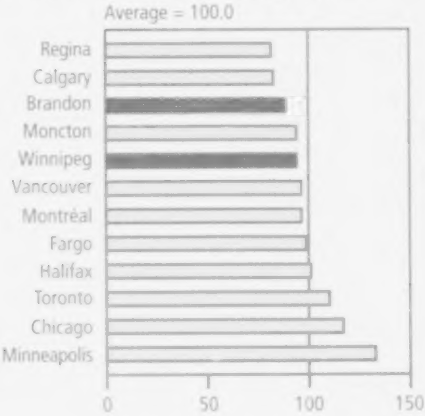
## Overall Competitiveness

Overall competitiveness is compared by calculating internal rates of return. The internal rat return is commonly used for business investment and location decision making. The follov charts illustrate the combined effect of taxes and costs on the internal rates of return for representative small and larger manufacturing corporations in the selected jurisdictions.

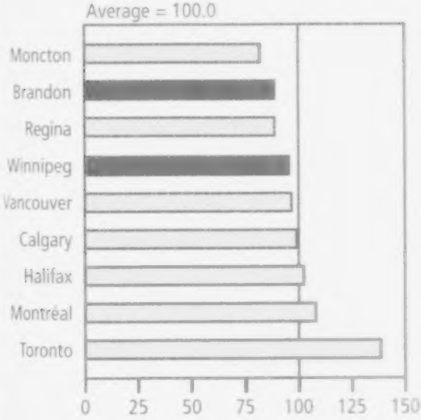
The internal rates of return for both Winnipeg and Brandon are well above the overall averag the cities included in the study.



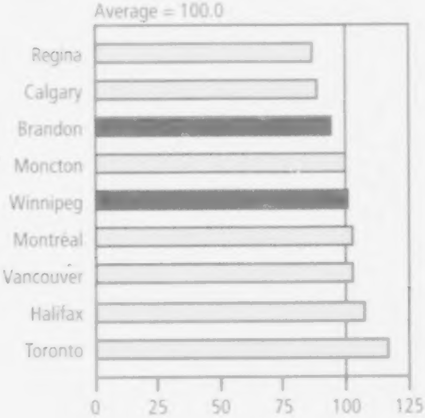
**Effective Tax Rates**
**Small Manufacturing Firm**



**Effective Tax Rates**
**Larger Manufacturing Firm**

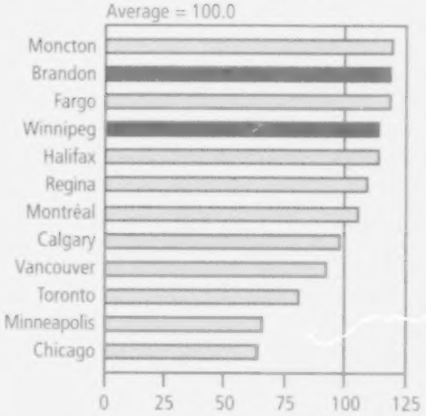


**Effective Tax Rates**
**Small Manufacturing Firm**
**Canadian Cities**

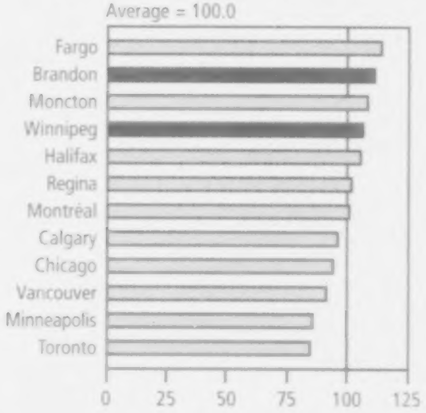


**Effective Tax Rates**
**Larger Manufacturing Firm**
**Canadian Cities**

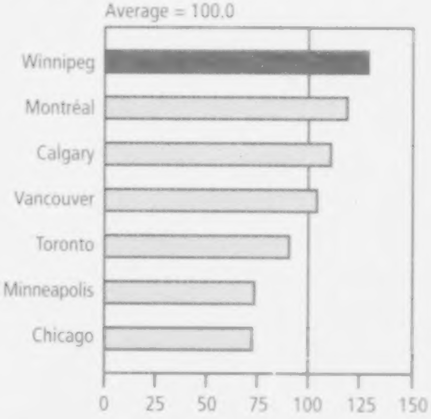
**Internal Rates of Return Small Manufacturing Firm**



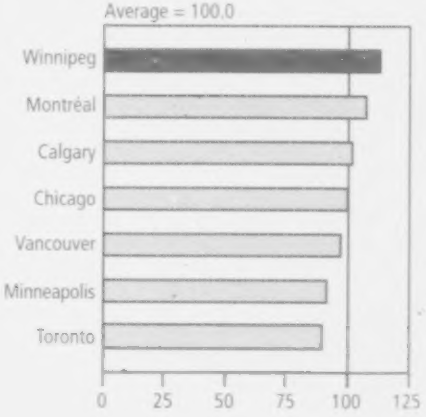
**Internal Rates of Return Larger Manufacturing Firm**



**Internal Rates of Return Small Manufacturing Firm in Cities over 500,000**



**Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000**



Brandon has the second-highest rate of return among all cities for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both small and larger manufacturing firms.

## ■ CONCLUSION

The above results are comparable to those shown in previous budgets. Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing. Changes in the outcomes for other cities in the model are in part explained by adjustments to income tax rates in several jurisdictions, appreciation in the Canadian dollar relative to the U.S., and the differential between Canadian and U.S. interest rates.

## Appendix 2:
## 2006 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

Since 1999, Manitoba's overall rankings for personal costs and taxes have been among the best in Canada.

For 2006, Manitoba ranks first, second or third best in total costs among the six representative households.

The following charts show that Manitoba remains one of the most affordable provinces in which to live, with among the lowest costs for child care, gasoline tax, automobile insurance, electricity and housing.

The combination of modest taxation levels and low living costs[1] means Manitobans enjoy a high standard of living. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

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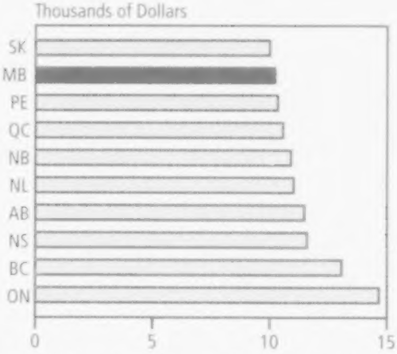
[1] Costs include rent or mortgage costs, property taxes, public transit costs or auto insurance, child care, telephone service, electricity and heating costs

## Annual Personal Costs and Taxes Single Person Earning $30,000*

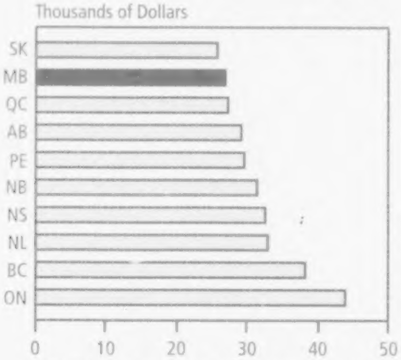
- second-lowest combined taxes and living costs in the country
- third-lowest provincial levies



* includes income tax, retail sales tax, health premiums, rent, public transit costs, telephone service, electricity and heating

## Annual Personal Costs and Taxes Two-Earner Family of Four Earning $60,000*

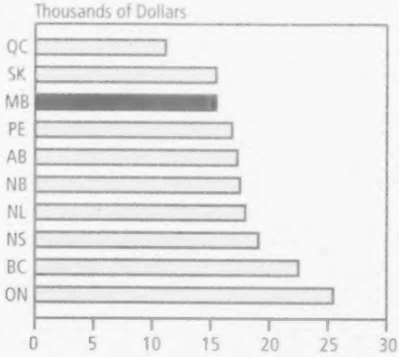
- second-lowest combined taxes and living costs in the country
- seventh-lowest provincial levies



* includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating and property taxes

## Annual Personal Costs and Taxes Single Parent Earning $30,000*

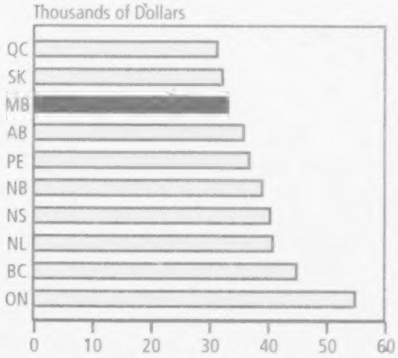
- third-lowest combined taxes and living costs in the country
- third-lowest provincial levies



* includes income tax, retail sales and gasoline taxes, health premiums, rent, auto insurance, telephone service, electricity, heating, child care and child benefits

## Annual Personal Costs and Taxes Two-Earner Family of Five Earning $75,000*

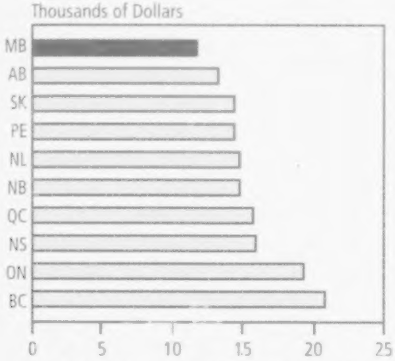
- third-lowest combined taxes and living costs in the country
- sixth-lowest provincial levies



* includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating and property taxes

## Annual Personal Costs and Taxes One-Earner Family of Four Earning $40,000*

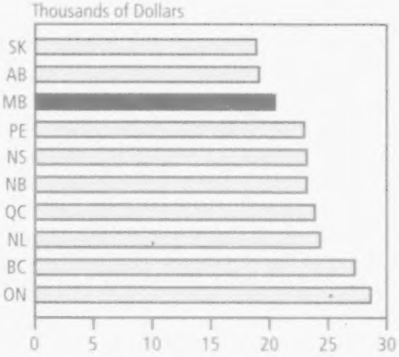
- lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



* includes income tax, retail sales and gasoline taxes, health premiums, child benefits, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

## Annual Personal Costs and Taxes One-Earner Family of Four Earning $60,000*

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



* includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

## 2006 Comparison of Annual Personal Costs and Taxes

| **Single Person: $30,000** | BC | AB | SK | **MB** | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 1,091 | 1,333 | 2,047 | **1,823** | 1,152 |
| Health Premiums | 648 | 528 | 0 | **0** | 300 |
| PIT and Premiums | 1,739 | 1,861 | 2,047 | **1,823** | 1,452 |
| Retail Sales Tax | 344 | 0 | 384 | **378** | 450 |
| Provincial Levies | 2,083 | 1,861 | 2,431 | **2,201** | 1,902 |
| Rent | 9,456 | 7,992 | 6,060 | **6,468** | 10,656 |
| Electricity | 316 | 491 | 577 | **332** | 617 |
| Public Transit | 828 | 840 | 648 | **855** | 1,185 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 10,918 | 9,608 | 7,549 | **7,955** | 12,729 |
| Total Costs | 13,001 | 11,469 | 9,981 | **10,156** | 14,631 |

| **Single Parent One Child: $30,000** | BC | AB | SK | **MB** | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 149 | 0 | 566 | **296** | (222) |
| Health Premiums | 461 | 0 | 0 | **0** | 180 |
| PIT and Premiums | 610 | 0 | 566 | **296** | (42) |
| Family/Employment Tax Credits | 0 | (537) | 0 | **0** | 0 |
| Child Benefits | 0 | 0 | 0 | **0** | (1,070) |
| Retail Sales Tax | 448 | 0 | 500 | **491** | 585 |
| Gasoline Tax | 410 | 180 | 300 | **230** | 294 |
| Provincial Levies | 1,468 | (357) | 1,366 | **1,017** | (233) |
| Rent | 12,528 | 9,696 | 7,284 | **8,196** | 12,624 |
| Child Care | 6,494 | 5,650 | 4,903 | **4,579** | 9,178 |
| Electricity | 407 | 617 | 712 | **417** | 773 |
| Auto Insurance | 1,313 | 1,294 | 906 | **1,045** | 2,304 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 21,060 | 17,542 | 14,069 | **14,536** | 25,150 |
| Total Costs | 22,528 | 17,185 | 15,435 | **15,553** | 24,917 |

Sums may not add due to rounding.

| QC | NB | NS | PE | NL | **Single Person: $30,000** |
|---|---|---|---|---|---|
| 1,606 | 1,942 | 1,862 | 2,030 | 2,213 | Provincial Income Tax |
| 507 | 0 | 0 | 0 | 0 | Health Premiums |
| 2,113 | 1,942 | 1,862 | 2,030 | 2,213 | PIT and Premiums |
| 337 | 721 | 706 | 627 | 753 | Retail Sales Tax |
| 2,450 | 2,664 | 2,568 | 2,657 | 2,966 | Provincial Levies |
| 6,744 | 6,708 | 7,512 | 5,832 | 6,468 | Rent |
| 374 | 590 | 517 | 723 | 569 | Electricity |
| 756 | 672 | 720 | 816 | 756 | Public Transit |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 8,145 | 8,234 | 9,049 | 7,665 | 8,056 | Living Costs |
| 10,596 | 10,897 | 11,617 | 10,322 | 11,022 | Total Costs |

| QC | NB | NS | PE | NL | **Single Parent One Child: $30,000** |
|---|---|---|---|---|---|
| 1,769 | 344 | 622 | 929 | 976 | Provincial Income Tax |
| 507 | 0 | 0 | 0 | 0 | Health Premiums |
| 2,276 | 344 | 622 | 929 | 976 | PIT and Premiums |
| (166) | 0 | 0 | 0 | 0 | Family/Employment Tax Credits |
| (2,700) | (149) | 0 | 0 | 0 | Child Benefits |
| 504 | 938 | 917 | 815 | 979 | Retail Sales Tax |
| 334 | 290 | 310 | 414 | 330 | Gasoline Tax |
| 248 | 1,423 | 1,850 | 2,158 | 2,285 | Provincial Levies |
| 7,392 | 8,100 | 9,144 | 7,404 | 7,608 | Rent |
| 1,820 | 5,962 | 5,980 | 4,940 | 5,425 | Child Care |
| 450 | 715 | 647 | 878 | 696 | Electricity |
| 1,063 | 1,049 | 1,233 | 1,095 | 1,586 | Auto Insurance |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 10,996 | 16,090 | 17,304 | 14,611 | 15,578 | Living Costs |
| 11,244 | 17,513 | 19,153 | 16,769 | 17,863 | Total Costs |

# 2006 Comparison of Annual Personal Costs and Taxes

| **One-Earner Family of 4: $40,000** | BC | AB | SK | MB | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 1,315 | 787 | 1,689 | **2,100** | 1,139 |
| Health Premiums | 1,296 | 1,056 | 0 | **0** | 450 |
| PIT and Premiums | 2,611 | 1,843 | 1,689 | **2,100** | 1,589 |
| Family/Employment Tax Credits | 0 | (450) | 0 | **0** | 0 |
| Child Benefits | 0 | 0 | 0 | **0** | 0 |
| Property Tax Credits | (570) | 0 | 0 | **(400)** | (42) |
| Retail Sales Tax | 798 | 0 | 1,031 | **964** | 1,194 |
| Gasoline Tax | 410 | 180 | 300 | **230** | 294 |
| Provincial Levies | 3,249 | 1,573 | 3,020 | **2,894** | 3,035 |
| Mortgage Costs | 11,838 | 6,439 | 4,643 | **3,510** | 9,132 |
| Property Taxes | 1,996 | 1,747 | 3,338 | **2,379** | 2,306 |
| Home Heating | 1,219 | 1,045 | 968 | **1,132** | 1,411 |
| Electricity | 588 | 869 | 982 | **587** | 1,084 |
| Auto Insurance | 1,421 | 1,376 | 1,078 | **1,006** | 1,982 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 17,381 | 11,761 | 11,272 | **8,913** | 16,186 |
| Total Costs | 20,630 | 13,334 | 14,293 | **11,807** | 19,221 |

| **One-Earner Family of 4: $60,000** | BC | AB | SK | MB | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 3,139 | 2,776 | 4,278 | **5,019** | 3,316 |
| Health Premiums | 1,296 | 1,056 | 0 | **0** | 600 |
| PIT and Premiums | 4,435 | 3,832 | 4,278 | **5,019** | 3,916 |
| Child Benefits | 0 | 0 | 0 | **0** | 0 |
| Property Tax Credits | (570) | 0 | 0 | **(400)** | 0 |
| Retail Sales Tax | 1,024 | 0 | 1,320 | **1,333** | 1,594 |
| Gasoline Tax | 410 | 180 | 300 | **230** | 294 |
| Provincial Levies | 5,299 | 4,012 | 5,898 | **6,182** | 5,804 |
| Mortgage Costs | 15,234 | 8,932 | 5,310 | **6,539** | 13,831 |
| Property Taxes | 2,569 | 2,424 | 3,817 | **4,431** | 3,493 |
| Home Heating | 1,475 | 839 | 1,262 | **1,229** | 1,696 |
| Electricity | 770 | 1,121 | 1,252 | **756** | 1,396 |
| Auto Insurance | 1,421 | 1,376 | 1,078 | **1,006** | 1,982 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 21,787 | 14,977 | 12,983 | **14,260** | 22,669 |
| Total Costs | 27,086 | 18,989 | 18,881 | **20,442** | 28,472 |

Sums may not add due to rounding.

| QC | NB | NS | PE | NL | **One-Earner Family of 4: $40,000** |
|---|---|---|---|---|---|
| 2,510 | 2,520 | 2,759 | 2,698 | 3,119 | Provincial Income Tax |
| 1,014 | 0 | 0 | 0 | 0 | Health Premiums |
| 3,524 | 2,520 | 2,759 | 2,698 | 3,119 | PIT and Premiums |
| (280) | 0 | 0 | 0 | 0 | Family/Employment Tax Credits |
| (3,073) | 0 | 0 | 0 | 0 | Child Benefits |
| (195) | 0 | 0 | 0 | 0 | Property Tax Credits |
| 1,422 | 1,789 | 1,776 | 1,411 | 1,994 | Retail Sales Tax |
| 334 | 290 | 310 | 414 | 330 | Gasoline Tax |
| 1,732 | 4,599 | 4,845 | 4,523 | 5,443 | Provincial Levies |
| 7,048 | 4,405 | 5,274 | 3,926 | 3,808 | Mortgage Costs |
| 3,008 | 1,968 | 1,568 | 1,690 | 1,512 | Property Taxes |
| 1,636 | 1,531 | 1,675 | 1,542 | 1,076 | Home Heating |
| 600 | 966 | 905 | 1,188 | 950 | Electricity |
| 1,342 | 1,048 | 1,247 | 1,136 | 1,663 | Auto Insurance |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 13,905 | 10,182 | 10,969 | 9,776 | 9,272 | Living Costs |
| 15,637 | 14,781 | 15,815 | 14,299 | 14,714 | Total Costs |

| QC | NB | NS | PE | NL | **One-Earner Family of 4: $60,000** |
|---|---|---|---|---|---|
| 5,984 | 5,474 | 5,754 | 5,473 | 6,355 | Provincial Income Tax |
| 1,014 | 0 | 0 | 0 | 0 | Health Premiums |
| 6,998 | 5,474 | 5,754 | 5,473 | 6,355 | PIT and Premiums |
| (2,397) | 0 | 0 | 0 | 0 | Child Benefits |
| 0 | 0 | 0 | 0 | 0 | Property Tax Credits |
| 1,993 | 2,581 | 2,305 | 1,975 | 2,605 | Retail Sales Tax |
| 334 | 290 | 310 | 414 | 330 | Gasoline Tax |
| 6,928 | 8,345 | 8,369 | 7,862 | 9,290 | Provincial Levies |
| 8,834 | 7,332 | 7,146 | 6,871 | 7,460 | Mortgage Costs |
| 3,681 | 2,736 | 2,544 | 2,958 | 2,693 | Property Taxes |
| 1,908 | 2,177 | 2,312 | 2,313 | 1,787 | Home Heating |
| 751 | 1,217 | 1,163 | 1,498 | 1,203 | Electricity |
| 1,342 | 1,048 | 1,247 | 1,136 | 1,663 | Auto Insurance |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 16,787 | 14,775 | 14,711 | 15,069 | 15,069 | Living Costs |
| 23,715 | 23,120 | 23,080 | 22,931 | 24,359 | Total Costs |

# 2006 Comparison of Annual Personal Costs and Taxes

| Two-Earner Family of 4: $60,000 | BC | AB | SK | **MB** | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 1,424 | 1,892 | 2,899 | **3,312** | 1,296 |
| Health Premiums | 1,296 | 1,056 | 0 | **0** | 300 |
| PIT and Premiums | 2,720 | 2,948 | 2,899 | **3,312** | 1,596 |
| Child Benefits | 0 | 0 | 0 | **0** | 0 |
| Property Tax Credits | (570) | 0 | 0 | **(400)** | (65) |
| Retail Sales Tax | 1,024 | 0 | 1,320 | **1,333** | 1,594 |
| Gasoline Tax | 615 | 270 | 450 | **345** | 441 |
| Provincial Levies | 3,789 | 3,218 | 4,669 | **4,590** | 3,566 |
| Mortgage Costs | 15,234 | 8,932 | 5,310 | **6,539** | 13,831 |
| Property Taxes | 2,569 | 2,424 | 3,817 | **4,431** | 3,493 |
| Child Care | 11,264 | 9,600 | 7,356 | **6,938** | 15,291 |
| Home Heating | 1,475 | 839 | 1,262 | **1,229** | 1,696 |
| Electricity | 770 | 1,121 | 1,252 | **756** | 1,396 |
| Auto Insurance | 2,734 | 2,670 | 1,984 | **2,051** | 4,286 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 34,364 | 25,871 | 21,245 | **22,243** | 40,264 |
| Total Costs | 38,152 | 29,089 | 25,914 | **26,833** | 43,830 |

| Two-Earner Family of 5: $75,000 | BC | AB | SK | **MB** | ON |
|---|---|---|---|---|---|
| Provincial Income Tax | 2,225 | 2,756 | 3,758 | **4,390** | 2,212 |
| Health Premiums | 1,296 | 1,056 | 0 | **0** | 450 |
| PIT and Premiums | 3,521 | 3,812 | 3,758 | **4,390** | 2,662 |
| Child Benefits | 0 | 0 | 0 | **0** | 0 |
| Property Tax Credits | (570) | 0 | 0 | **(400)** | 0 |
| Retail Sales Tax | 1,279 | 0 | 1,894 | **1,779** | 1,890 |
| Gasoline Tax | 615 | 270 | 450 | **345** | 441 |
| Provincial Levies | 4,845 | 4,082 | 6,102 | **6,115** | 4,993 |
| Mortgage Costs | 15,234 | 8,932 | 5,310 | **6,539** | 13,831 |
| Property Taxes | 2,569 | 2,424 | 3,817 | **4,431** | 3,493 |
| Child Care | 16,793 | 15,570 | 12,443 | **11,618** | 24,951 |
| Home Heating | 1,475 | 839 | 1,262 | **1,229** | 1,696 |
| Electricity | 770 | 1,121 | 1,252 | **756** | 1,396 |
| Auto Insurance | 2,734 | 2,670 | 1,984 | **2,051** | 4,286 |
| Telephone | 319 | 285 | 264 | **300** | 271 |
| Living Costs | 39,893 | 31,841 | 26,332 | **26,923** | 49,924 |
| Total Costs | 44,738 | 35,923 | 32,434 | **33,038** | 54,917 |

Sums may not add due to rounding.

| QC | NB | NS | PE | NL | **Two-Earner Family of 4: $60,000** |
|---|---|---|---|---|---|
| 4,857 | 3,117 | 3,146 | 3,554 | 3,905 | Provincial Income Tax |
| 1,014 | 0 | 0 | 0 | 0 | Health Premiums |
| 5,871 | 3,117 | 3,146 | 3,554 | 3,905 | PIT and Premiums |
| 2,397) | 0 | 0 | 0 | 0 | Child Benefits |
| 0 | 0 | 0 | 0 | 0 | Property Tax Credits |
| 1,993 | 2,581 | 2,305 | 1,975 | 2,605 | Retail Sales Tax |
| 501 | 435 | 465 | 621 | 495 | Gasoline Tax |
| 5,968 | 6,133 | 5,916 | 6,150 | 7,005 | Provincial Levies |
| 8,834 | 7,332 | 7,146 | 6,871 | 7,460 | Mortgage Costs |
| 3,681 | 2,736 | 2,544 | 2,958 | 2,693 | Property Taxes |
| 3,437 | 9,283 | 10,496 | 7,306 | 9,300 | Child Care |
| 1,908 | 2,177 | 2,312 | 2,313 | 1,787 | Home Heating |
| 751 | 1,217 | 1,163 | 1,498 | 1,203 | Electricity |
| 2,405 | 2,097 | 2,480 | 2,231 | 3,249 | Auto Insurance |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 1,287 | 25,107 | 26,440 | 23,470 | 25,955 | Living Costs |
| 7,255 | 31,240 | 32,356 | 29,620 | 32,961 | Total Costs |

| QC | NB | NS | PE | NL | **Two-Earner Family of 5: $75,000** |
|---|---|---|---|---|---|
| 6,981 | 4,379 | 4,426 | 4,825 | 5,386 | Provincial Income Tax |
| 1,014 | 0 | 0 | 0 | 0 | Health Premiums |
| 7,995 | 4,379 | 4,426 | 4,825 | 5,386 | PIT and Premiums |
| 2,821) | 0 | 0 | 0 | 0 | Child Benefits |
| 0 | 0 | 0 | 0 | 0 | Property Tax Credits |
| 2,743 | 3,162 | 2,974 | 2,782 | 3,530 | Retail Sales Tax |
| 501 | 435 | 465 | 621 | 495 | Gasoline Tax |
| 8,419 | 7,975 | 7,865 | 8,228 | 9,410 | Provincial Levies |
| 8,834 | 7,332 | 7,146 | 6,871 | 7,460 | Mortgage Costs |
| 3,681 | 2,736 | 2,544 | 2,958 | 2,693 | Property Taxes |
| 5,257 | 15,263 | 16,476 | 12,246 | 14,725 | Child Care |
| 1,908 | 2,177 | 2,312 | 2,313 | 1,787 | Home Heating |
| 751 | 1,217 | 1,163 | 1,498 | 1,203 | Electricity |
| 2,405 | 2,097 | 2,480 | 2,231 | 3,249 | Auto Insurance |
| 271 | 264 | 300 | 293 | 263 | Telephone |
| 3,107 | 31,087 | 32,420 | 28,410 | 31,380 | Living Costs |
| 1,526 | 39,062 | 40,284 | 36,638 | 40,791 | Total Costs |

## NOTES

Taxes[1], charges and living costs are based on information available on February 1, 2006, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

**Provincial Income Tax** is calculated for a single renter with $30,000 earned income, a single parent with one child who rents and has $30,000 in earned income, and three homeowners with $40,000, $60,000 and $75,000 of earned income, respectively. Families include one income earner, a spouse and two dependent children (ages 3 and 7), two income earners and two dependent children (ages 3 and 7), or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs unique to each province have been deducted from income. For two-earner families, child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown separately.

**Child Benefits** represent provincial programs comparable to the Canada Child Tax Benefit.

**Retail Sales Tax** is based upon an average expenditure basket at the selected gross income levels from the *2000 Survey of Household Expenditures* (Statistics Canada), inflated to 2006 values and adjusted for family size.

**Gasoline Tax** is based on annual consumption of 2,000 litres for single-vehicle families and 3,000 litres for the two-earner family at $60,000 and $75,000; this includes the 6 cents and 1.5 cents per litre levy applied by Vancouver and Montréal, respectively. Provincial sales tax has been applied to the wholesale price in Prince Edward Island.

**Health Premiums** are annual premiums for hospital insurance and medical services in provinces which levy them. They include Quebec's prescription drug plan.

**Mortgage Costs** are based on one-half the average home prices for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2005*, for a 25-year term, amortized over five years at an interest rate of 6.33%.

**Property Taxes** are calculated on the assessed values for a standard townhouse for families with $40,000 of income, or a standard two-storey for families with $60,000 and $75,000 of income, per the Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2005.*

**Rent** is from Canada Mortgage and Housing Corporation's *Rental Market Survey*, October 2005, and is based on the average one-bedroom apartment rent for each urban centre for the single person, and the average two-bedroom apartment rent for the single parent family.

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[1] Tables reflect 2006 budget changes only for British Columbia and Manitoba.

**Child Care** is based on average fees for full-time preschool care for the three year old and the five year old, before and after school care for the seven year old, and six weeks of summer day camp for the seven year old. Quebec figures are based on $7 per day for care. Average fees were based on *Early Childhood Care and Education in Canada: Provinces and Territories*, and were updated by a telephone and Internet survey of different cities.

**Auto Insurance** for two-parent families is based on a 2003 Chevrolet Impala. Coverage includes $1 million third-party liability, and $200 all-perils deductible in Saskatchewan and Manitoba; $250 all-perils deductible in Alberta, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador; $300 all-perils deductible in British Columbia. The driver is married, age 35, has been accident-free for seven or more years; the auto is driven to work (15 kilometres one way). The two-earner families with $60,000 and $75,000 of income also insure a 2000 Chevrolet Cavalier, with identical coverage and driver risk rating as the Impala. The single-parent family is based on the 2000 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between 8 and 12 of the larger private insurers available in those provinces.

**Transit Fares** are based on adult (single zone) monthly pass rates in effect in February 2006. The Charlottetown fare is based on adult tickets for 240 working days.

**Home Heating** charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, or 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic Provinces, the figures represent the BTU equivalent consumption of fuel oil. Refundable home heating benefits have been deducted from home heating costs for Alberta, New Brunswick, and Newfoundland and Labrador.

**Electricity** charges are based on annual consumption of 9,000 kilowatt hours (kW h) for the two-parent family at $40,000, and 12,000 kW h for the two-parent family at $60,000 and $75,000 of income; 6,000 kW h for the single-parent family; and 4,500 kW h of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect February 1, 2006.

**Telephone** charges are the basic service rates for individual residences.

Manitoba

Budget Paper F

# COMMUNITY ECONOMIC DEVELOPMENT

# COMMUNITY ECONOMIC DEVELOPMENT

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# COMMUNITY ECONOMIC DEVELOPMENT

Community economic development (CED) takes the well-being and prosperity of local neighbourhoods beyond the traditional economic measures that are usually associated with strong communities. Creative ideas, dedicated efforts and innovative partnerships between community residents and organizations, CED practitioners, businesses, researchers, educators, and government drive the successes of community economic development all around Manitoba. Developing and implementing community-driven ideas provides economic, social and environmental dividends that benefit neighbourhoods and entire communities.

Since 1999, the Manitoba government has supported CED efforts in communities by:

- engaging with communities about their needs and priorities;
- funding CED organizations to engage communities from the ground up;
- establishing major new CED programs, such as Neighbourhoods Alive!, the Community Enterprise Tax Credit, Hometown Manitoba and the Winnipeg Housing and Homelessness Initiative;
- building new opportunities in emerging CED sectors such as wind power, biofuels and eco-tourism; and
- supporting initiatives to build safe, healthy and vibrant communities as a cornerstone of CED.

Community economic development is one way for the provincial government to achieve the social, economic and environmental goals Manitobans have identified as important. It empowers communities to lead their own revitalization strategies, creating stronger, healthier and more resilient communities and local economies. The province is committed to supporting communities to develop and implement CED strategies that are based on community ideas and community resources. The provincial commitment to CED as part of an effective economic strategy reflects a belief in more equitable, sustainable and diversified development, for the benefit of all Manitobans.

## A Unique Approach to Supporting CED

In 1999, Manitoba Premier Gary Doer established the Community and Economic Development Committee of Cabinet. This committee of Ministers provides overall direction for the government's CED efforts.

Since 1999, community members have been engaged in providing strategic advice to government on best approaches to support CED. In 2001, Manitoba approved a CED policy framework and a CED "lens" to assist government departments in aligning their programs and policies to support CED. The framework and lens are centred around ten core CED principles, which were adapted from a list of CED principles from Neechi Foods Co-Op Ltd., an Aboriginal worker cooperative in Winnipeg (Neechi Foods Co-Op Ltd., *It's Up To All Of Us*, 1993.) Similar CED principles have been widely adopted by CED organizations across the province.

Manitoba's CED principles include:

1. Local employment
2. Local ownership and decision making
3. Local economic linkages
4. Re-investment of profits back into the community
5. Local knowledge and skill development
6. Positive environmental impact
7. Health and well-being
8. Neighbourhood stability and community cohesion
9. Human dignity
10. Interdepartmental and intergovernmental collaboration

The government is committed to ongoing consultations and support for community-based plans that respond to local needs and strengths. Community input will help inform government programs, policies and legislation to ensure CED has the solid framework needed for future community successes. Manitoba's CED initiatives compliment other government strategies and initiatives, such as the Northern Development Strategy, Growing Opportunities for Rural Manitoba, Healthy Child Manitoba, and the new Green and Growing Strategy.

## Manitoba Communities Leading the Way

Manitoba's leading role in community economic development was recognized in 2002, when Winnipeg was selected to host the Canadian Community Economic Development Network (CCEDNET) National Conference and Annual General Meeting. Hosted by SEED Winnipeg, the national conference brought together hundreds of CED activists, professionals, educators and policy makers to share and learn from one another's experiences. The Manitoba government led a government dialogue session at the conference to discuss the best ways for funders and policy makers to support CED initiatives.

CED in Manitoba has drawn national research support to the province to investigate CED in the new economy, supported by the Social Sciences and Humanities Research Council. The Manitoba government has participated as a research partner in the Manitoba Research Alliance on CED in the New Economy, which has sponsored more than 40 different research projects.

Numerous CED initiatives in Manitoba have gained local, national and even international attention, such as:

- **Neechi Foods Co-Op Ltd.**: An Aboriginal worker co-operative which owns and operates a full range grocery store in inner-city Winnipeg, has been widely recognized for its commitment to community economic development, worker empowerment and promoting healthy lifestyles.

- **Assiniboine Credit Union**: received the 2001 Credit Union Central of Canada award for its community lending and business support programs, inner-city housing investments and alternative financial services.
- **Inner-City Renovations**: A construction company committed to creating local employment opportunities and renovating inner-city housing stock, was recently recognized at the Canadian Worker Co-Op Federation conference as a prime example of successful social enterprise in Canada.
- **Winkler Consumer Co-op Ltd.**: Established in 1975, the Winkler Consumer Co-op is a multi-business community enterprise that includes a grocery store, gas bar, truck stop and restaurant. The Co-op was recently awarded the 2006 P.W. Enns Business Community Service Award for its ongoing commitment and service to the Winkler community.
- **LITE (Local Investment Toward Employment)**: Promotes awareness and CED by supporting initiatives in Winnipeg that build capacity and provide jobs. Donations raised by LITE, through their popular annual Wild Blueberry Pancake Breakfast and other fund raising initiatives, are used both to purchase food for Christmas hampers from enterprises that hire local people and for other local employment CED initiatives.

## BUILDING FOR THE FUTURE

Community economic development contributes to a brighter future by helping to build community capacity and community infrastructure.

### Building Capacity

The Manitoba government recognizes successful and sustainable communities must be able to lead their own revitalization and realize the benefits of creating positive change. Building community capacity – the ability to identify needs and opportunities and then lead change - is a central element in the government's approach to CED and is alive and well in CED organizations funded by government.

- **Neighbourhood Renewal Corporations (NRCs)**: Located in Winnipeg (West Broadway, Spence and the North End), Brandon and Thompson, NRCs help build capacity within their neighbourhoods for planning and implementation of community-driven revitalization strategies. NRCs are also instrumental in the successful delivery of Manitoba's Neighbourhoods Alive!.
- **Economic Development Council for Manitoba Bilingual Municipalities / Le Conseil de développement économique des municipalités bilingues du Manitoba (CDEM)**: works in partnership with 16 Francophone and bilingual municipalities in Manitoba to organize, encourage and stimulate community and economic development in bilingual municipalities. With its approach to CED, the CDEM is a front-runner in ensuring the economic vitality of the communities it serves.

- **Community Development Corporations (CDCs)**: Located in 95 communities throughout the province, CDCs serve as local vehicles for community and economic development, in partnership with local municipalities. The corporations provide a range of planning, development and financing supports for community projects.
- **East Side Planning Initiative**: was launched by the Manitoba government to engage east side communities in wide area land use planning for this unique region of the province. This planning process provides local people with a meaningful say in decisions impacting present and future uses of the area. The government is committed to working with east side communities on their priorities for land use planning and sustainable development.
- **Conservation Districts**: are groups of neighbouring rural municipalities working with the province to develop programs to effectively manage the natural resources in their area.

The Manitoba government supports community capacity building with targeted programming.

- **Neighbourhoods Alive!**: A unique Manitoba program that supports CED efforts in designated neighbourhoods in Winnipeg, Brandon and Thompson. The program focuses on:
  - housing and physical improvements;
  - employment, training and economic development;
  - education and recreation; and
  - safety and crime prevention.
- **Urban Development Initiatives (UDI)**: supports projects and initiatives that enhance Winnipeg's development. It also provides program assistance to community-based organizations and City of Winnipeg economic development agencies.
- **Rural Economic Development Initiative (REDI)**: supports economic development and diversification initiatives in rural and Northern Manitoba, including feasibility studies, entrepreneurial assistance through loan guarantees and a variety of targeted youth programs.

## NEIGHBOURHOODS ALIVE!

Neighbourhoods Alive! (NA) is making a positive difference in Manitoba communities with a number of innovative programs:

- The Neighbourhood Renewal Fund helps community organizations strengthen local capacity and revitalize designated urban neighbourhoods through locally planned and supported initiatives that sustain and support community stability, economic development and well-being.
- The Neighbourhood Housing Assistance program helps revitalize housing in designated neighbourhoods. It supports homeownership and renovation initiatives with financial grants of up to $10,000 per residence for purchase, renovations and sales tax on renovations.
- The Community Initiatives program supports projects that have a broad impact on Winnipeg's inner city or target specific groups across the inner city. It funds activities that strengthen the social economy through activities that include arts, youth recreation and leadership, homeownership training and community economic development.
- The Neighbourhoods Alive! Training Initiatives program assists residents of designated NA! neighbourhoods experiencing employment challenges, to prepare for and obtain sustainable employment through workplace training in high-demand occupations.
- Neighbourhood Development Assistance assists community economic development by supporting the formation and operation of democratic Neighbourhood Renewal Corporations (NRCs) that are locally administered.
- Lighthouses works to enhance public safety by supporting local communities to provide recreational, educational and social programs for young Manitobans. Lighthouses makes use of schools, recreation centres and other community facilities outside school hours for sports, arts, music and other activities organized by and for local youth.
- The Urban Arts program, newly added to NA!, is adding to the foundation of NA! services to help continue the valuable creative programming provided through organizations such as Art City and the Graffiti Art Program.

In the five years since NA! was launched, the province has committed over $26.5 million, including $16.6 million to support almost 400 community projects and $9.9 million for the repair, rehabilitation or construction of over 1,700 units of housing through the NA! program.

Building financial capacity is a growing focus of CED. The Manitoba government partners with SEED Winnipeg on financial literacy training and asset-building programs, such as Individual Development Accounts, which support low-income people in acquiring important economic assets, such as education and homeownership. The Manitoba government is interested in extending its support for CED to community-based financial service delivery models in communities underserved by mainstream financial institutions. Provincial legislation to address concerns with the costs and practices in connection with payday loans.

The Manitoba government is a leader in support for municipalities, which have a major role to play in CED.

- **Building Manitoba Fund**: was established in 2005 to invest over $600 million in Manitoba municipalities over the next five years. The new fund includes the equivalent of Manitoba's income tax-sharing agreement and expands the funds available by the equivalent of a share of fuel taxes – providing two major sources of growth revenue.
- **Tax increment financing**: Legislation passed in 2003, makes Manitoba the first jurisdiction in Canada to grant municipalities the authority to implement tax increment financing, an economic tool widely used in the United States. Through tax increment financing, municipalities can reinvest property tax revenues to meet community economic development objectives such as housing development, creating employment opportunities, revitalizing inner cities and redeveloping former industrial sites. Brandon has announced its intention to establish a "Downtown Renaissance District," using their tax increment financing authority.

## Building Infrastructure

Infrastructure development is an important element of building for the future - a need often identified by communities as central to their CED strategies. Manitoba funds community infrastructure projects, which are core building blocks for communities shaping their future growth and prosperity.

- **Hometown Manitoba**: invests in physical upgrades to main streets and public spaces in rural and Northern communities - 190 projects were approved last year, a total investment of over $200,000.
- **Community Places**: provides funds to not-for-profit community organizations for facility construction and upgrades, and capital acquisitions and expansions, which provide recreation and wellness benefits to communities.
- **Winnipeg Partnership Agreement (WPA)**: In 2004, Manitoba entered into a $75 million partnership with the federal government and the City of Winnipeg, known as the Winnipeg Partnership Agreement. The WPA has four main areas of focus: Aboriginal participation, building sustainable neighbourhoods, downtown renewal, and supporting innovation and technology. This Agreement aims to strengthen and support locally-driven community and economic development.
- **Can-Man Economic Partnership Agreement**: An agreement between the provincial and federal governments to invest in priorities for building our economy and sustainable communities.

- **Municipal Rural Infrastructure Fund (MRIF)**: Built on the success of the former Can-Man Infrastructure program, MRIF will invest $120 million in communities across Manitoba. Through MRIF, a significant number of recreation and leisure centres are receiving funds for upgraded or entirely new facilities, including a major investment in the Agricultural Centre of Excellence at Brandon's Keystone Centre.

## EDUCATION, TRAINING AND ENTERPRISE DEVELOPMENT

eveloping a strong labour force and successful community enterprises are important cornerstones of ED.

### ducation and Training

ducation and training are critical social and economic investments. The Manitoba government has ade significant investments in operating and capital support for public schools and post-secondary ucation to support excellence, affordability and accessibility. The province has:

- funded public schools at the rate of economic growth;
- established the Community Schools Partnership Initiative to more fully involving parents and community leaders in the life and development of their local schools as central community hubs;
- maintained a 10% tuition reduction to make post-secondary education more affordable;
- initiated the College Expansion Initiative to increase college opportunities;
- opened the Red River College Princess Street Campus in the Exchange District;
- established and expanded the University College of the North to make university and college opportunities available to Northern residents;
- increased bursaries and Access programs;
- invested in higher Aboriginal enrolment and completion rates; and
- expanded apprenticeship opportunities.

ecognizing education as a community economic driver, Manitoba continues to invest in expanding ucation and training for underserved communities, providing important tools for community embers to fully participate in and benefit from a growing economy.

- **University College of the North (UCN)**: Established in 2004 to offer a comprehensive range of university and college programming for Northerners. There are now 2,250 students registered in over 40 programs in 12 locations throughout the North. UCN's offering of university and college programs is growing to include: the Aboriginal midwifery education program, the civil technician certificate, training for health care aides, licensed practical nurses and registered nurses, the restorative justice and conflict resolution diploma and Cree language courses.

- **Hydro Northern training initiative**: The provincial and federal governments are partnering with Manitoba Hydro to support a $60 million pre-project training initiative for Northern hydro developments, a major element in the government's Northern Development Strategy. Over 860 trainees have participated to date, mainly in adult upgrading, designated trades and non-designated trades training. Aboriginal partners are building community capacity by planning and delivering community-based training. New or expanded training facilities in Nelson House, Split Lake and York Landing are adding to the regional training delivery system in the North.
- **Prior Learning Assessment and Recognition**: is being supported with additional resources to better assess the skills, knowledge and competencies acquired by workers through experience, unrecognized training, independent study, volunteer activities and hobbies.
- **English as an Additional Language (EAL)**: is an important part of Manitoba's quality education system and supports immigration settlement. The government is focusing on EAL services, including provincial curriculum for teaching EAL and new guidelines for working with students in Kindergarten through Senior 4.
- **Labour Market Partnership Agreement**: This new six-year, $129 million Canada-Manitoba Agreement promotes an effective labour market by supporting the Agreement's joint priorities: apprenticeship, literacy and essential skills, workplace skills development, and enhanced workforce participation of Aboriginal people and immigrants. Accessing the programs is not tied to Employment Insurance eligibility, which creates an opportunity to better serve Manitobans with limited past attachment to the workforce.

Manitoba is also supporting targeted education and training in the study and practice of CED itself, enhancing the province's pool of skilled CED workers.

- **Community Economic Development Technical Assistance Services**: provides a matching service for community-based organizations requiring professional services. Professionals, like accountants or architects, are linked with community clients who have identified a need in their organization for a specific service.
- **Community Development/Community Economic Development Training Intermediary**: is a community and government partnership to develop a CD/CED education and training program in community renewal and revitalization, and strengthening the capacity of people in government, industry, foundations and education to support the CD/CED sector.

## Enterprise Development

Successful community enterprises provide opportunities for long-term and meaningful employment and greater security of income for local economies. The Manitoba government supports a variety of initiatives that foster strong community enterprise development, including:

- **The Community Enterprise Development Tax Credit**: provides community-based enterprises with access to needed equity capital, while encouraging Manitobans to invest in enterprises in their communities through a tax incentive.

- **Communities Economic Development Fund (CEDF)**: encourages economic development in Northern Manitoba, focusing on small business enterprises and community development corporations. CEDF administers the Business Loan Program, the Fisheries Loan Program, and the recently launched TEAM Program, a micro-enterprise development program.
- **SEED Winnipeg**: A non-profit community organization that works with low income entrepreneurs in the start up or expansion of private businesses, social enterprises and co-operatives through the "Build a Business" program, including business consulting and training, access to financing and resource referrals.
- **Co-ops**: Provincial support is provided for new and existing co-ops throughout Manitoba through REDI, Neighbourhoods Alive! and the Community Works Loan program, offered through local Community Development Corporations. Manitoba's Co-operative Development Services offer advice and support on incorporation, governance and expansion of co-ops, including new-generation co-ops. There are over 400 co-ops in Manitoba – from grocery co-ops to fitness centres, all are community-owned enterprises at work in their communities.
- **Progressive Procurement**: Manitoba is committed to expanding support for CED enterprises through government procurement policies and practices, as reflected in the government's Sustainable Development Procurement Initiative. The government has introduced a targeted Aboriginal Procurement Initiative to increase the participation of Aboriginal businesses providing goods and services to government, through the promotion of an Aboriginal Business Directory, measures to inform Aboriginal suppliers of tender opportunities and provisions for designated "set asides" for Aboriginal businesses. Most recently, the provincial and federal governments supported SEED Winnipeg in developing a Social Purchasing Portal – a web-based information resource to promote and expand sales opportunities for social enterprises. The Manitoba government has registered as a purchasing partner through the Social Purchasing Portal to introduce government buyers to a broader range of social enterprise suppliers.
- **Manitoba Aboriginal Chamber of Commerce**: officially launched in November 2004 at the Aboriginal Business Summit hosted by the Premier's Economic Advisory Council, presents a new opportunity to promote Aboriginal businesses. Since last year, the Canada/Manitoba Business Services Centre and the Aboriginal Chamber of Commerce have established a positive and productive working relationship and clients are often referred to both organizations that provide support to Aboriginal entrepreneurs.

# CED ON THE LEADING EDGE

Manitoba has placed a special emphasis on supporting innovative approaches to CED. As the economy evolves, CED is taking root in non-traditional areas and leading edge sectors of the economy. The Manitoba government is working with communities to build opportunities in emerging sectors such as clean energy, eco-tourism and arts and cultural industries.

## Clean Energy Opportunities

Manitoba communities are expressing a growing interest in opportunities related to clean energy. Some examples include:

- **Run-of-the-river hydro generation projects**: Manitoba Hydro and Northern First Nations are working on establishing partnerships to undertake the development of new run-of-the-river hydro generation projects, to take advantage of growing energy export opportunities. Manitoba Hydro and Nisichawayasihk Cree Nation are proposing to jointly develop the 200 MW Wuskwatim Dam, a project that was redesigned incorporating traditional knowledge to reduce flooding to less than one-third of a square kilometre. Opportunities for local community training, employment and business development are significant.
- **Wind power**: Rural Manitoba communities see the growing opportunity in harvesting Manitoba's newest wind power crop. Manitoba's first wind farm, a $210 million, 99 MW project at St. Leon, is now fully operational, supplying emission-free power directly into the power grid. The government Manitoba and Manitoba Hydro have issued an expression of interest for 1,000 MW of wind power that seeks to maximize CED impacts.
- **Ethanol and biodiesel**: Communities are interested in the value-added opportunities of these two clean energy options. Manitoba's legislation to mandate the use of ethanol and the federal government's "ethanol support program" have supported Husky Oil's decision to invest $145 million in expanding their ethanol plant in Minnedosa. With production increasing from 10 million litres to 130 million litres, Husky Oil's plant expansion provides potentially $80 million per year for farmers who sell their crops. The government is also working with producers and communities to expand biodiesel production. Manitoba has established a dedicated biodiesel office to work with producers and communities and we are partnering with the federal government to deliver a $1.5 million Biodiesel Production Program for Manitoba biodiesel producers. Budget 2006 provides further support to grow the biodiesel industry across Manitoba.
- **Green Manitoba**: Manitoba has established a new Green Eco Solutions office to co-ordinate energy efficiency activities such as recycling, waste reduction, water conservation and product stewardship initiatives.
- **The Island Lake Energy Efficiency pilot initiative**: is working with Island Lakes communities and Manitoba Hydro to use locally produced materials and support local training and employment to retrofit homes with a focus on energy efficiencies.

## Eco-Tourism and Aboriginal Tourism Strategy

Eco-tourism is a rapidly expanding industry that has sparked interest in many Manitoba communities as an opportunity for sustainable economic development. The government is also working with Aboriginal communities to implement an Aboriginal Tourism Strategy, based on guidance from an Aboriginal Leaders Advisory Group, focusing on hunting and fishing, culture, and arts and crafts. Examples of eco-tourism and Aboriginal tourism activities supported by the provincial government include:

- the world-renowned Churchill tourist destination, generating approximately $23 million in annual economic activity;
- the Watchable Wildlife Program, supporting and marketing wildlife viewing opportunities such as the Narcisse Snake Dens, Hecla's Black Wolf Trail and Whitewater Lake;
- "Pelicans to Polar Bears" guide book, identifying 100 viewing sites and providing information on routes and tour packages;
- North West Community Futures Development Corporation's partnership with the Northern Ontario Tourism Association, promoting five Manitoba fishing lodges to the US market; and
- Indigenous Tribal Village at the Forks on summer weekends and advertising support for Aboriginal tourism products.

## Community Forestry

The government has responded to community interest in community-based forestry activities in Manitoba, with a particular focus on sustainable forestry practices, value-added opportunities and Aboriginal engagement in the sector. In addition to providing extensive information services, the province has:

- signed formal resource development agreements with Swampy Cree Tribal Council and First Nations Limited Partnership to work jointly on forestry initiatives;
- provided funding through a federal-provincial partnership to establish the Forintek program to encourage Aboriginal and Northern forestry development, support communities to increase value-added processing and encourage greater interaction between Manitoba's primary and secondary wood products industries; and
- supported the Northern Forest Diversification Centre (NFDC), in partnership with the government of Canada and the University College of the North, to work with Northern communities to develop sustainable economic opportunities based on local non-timber forest products. The NFDC provides research and development, and training and marketing services in sustainable harvesting and sales of non-timber products, such as wild crafts and floral supplies, wild foods and wild medicinal products. With a catalogue of over 300 products, the NFDC has supported more than 350 harvesters in over 25 communities in Northern Manitoba.

## Manitoba Culture

Manitoba is home to rich artistic and cultural communities. The government recognizes that art and culture encourages community economic development, along with fostering creativity and quality of life. Manitoba supports:

- **Art City**: An inter-generational drop-in art studio offering diverse programming to inner city residents in the West Broadway area, serving approximately 275 children, youth and adults each month.
- **Graffiti Art Programming**: A not-for-profit community youth art centre that uses art as a tool for community, social, economic and individual development.
- **Film Training Manitoba**: Develops and implements training for film crews in the province. While meeting the demand for skilled crew technicians, the industry also upgrades the skills of local talent such as local writers, directors, producers and actors to ensure Manitoba's indigenous film industry continues to grow.
- **Arts and Cultural Industries Association of Manitoba**: A community-driven team with representatives from arts and cultural industries and provincial and federal agencies. The Association works to educate both the public and private sectors of the economic benefits of working with arts and cultural industries. The Association serves arts and cultural workers throughout the province with an annual professional development conference, seminars throughout the year, a newsletter and weekly e-zine that provides job postings and training opportunities.
- **Art Stabilization Manitoba**: A $6 million program launched in 2002 as a cost-shared public/private sector initiative to foster the financial stability, best business practices and artistic renewal of not-for-profit arts and cultural organizations.

The Manitoba government is building community connectivity through its provincial broadband strategy. Network access supports rural and remote communities in education opportunities, economic development opportunities and enhanced health care opportunities. Manitoba's broadband strategy targets to provide broadband access to all communities in the province by 2010.

# ■ AT HOME IN OUR COMMUNITIES

CED seeks to balance more traditional economic objectives, with broader social needs. The government has taken significant steps to support communities in building safe, healthy and diverse environments, supporting a higher quality of life for all Manitobans. Healthy, vibrant communities are better positioned to take advantage of economic opportunities.

## Housing

Neighbourhood stabilization and renewal are key components of the province's CED strategy. A strong sense of community grows where people feel they have a stake in the future and a role in their community on a long-term basis. The Manitoba government recognizes that access to adequate and affordable housing is vital to building stable and vibrant communities and supports a number of affordable housing initiatives including:

- **North End Housing Project (NEHP)**: is a non-profit housing corporation whose objective is to supply quality housing to residents of the North End community. NEHP acquires and rehabilitates North End homes which are then either leased under five-year lease-to-purchase agreements or sold outright to families or operated as long-term rentals.
- **Affordable Housing Initiative (AHI)**: is a $73.8 million bilateral agreement between the governments of Manitoba and Canada that is increasing the supply of affordable rental units and new housing in the province. An important focus of the AHI is providing housing for low-income individuals and families, building upon community-driven initiatives. Manitoba has also re-introduced proposal development funding loans, which are interest-free for non-profit and co-operative housing organizations to help develop project proposals for affordable housing.
- **Winnipeg Housing and Homelessness Initiative (WHHI)**: is a tripartite partnership established in May 2000 to address homelessness, declining housing stock and the revitalization of Winnipeg's older neighbourhoods. Through the WHHI, Manitoba has committed $8 million in funding for housing in Winnipeg neighbourhoods through the Neighbourhood Housing Assistance program under the Neighbourhoods Alive! initiative. Manitoba is also using the Residential Rehabilitation Assistance Program to assist homeowners, non-profit organizations and private landlords in inner-city neighbourhoods.
- **Dedication of profits for inner-city housing and renewal**: the government will introduce legislation to dedicate the profits from our Waverley West and other suburban developments to inner-city housing and community development. Waverley West will also have positive environmental qualities through the development of ground source heat pumps for heating and cooling.

## Safer Communities

Manitoba supports a number of programs to provide positive alternatives for youth and to combat the root causes of crime.

- **Lighthouses**: provide after school recreation, education and social opportunities, building stronger relationships between youth, communities, and the police and justice system around crime prevention.
- **Ogijiita Pimatiswin Kinamatwin/The Aboriginal Youth Housing Renovation Project (OPK)**: is a North End community-based response to support individuals who have had a long history of conflict with the criminal justice system. OPK provides a holistic range of supports including: employment, education, basic life skills training and social support for Aboriginal ex-offenders; serving as a bridge for the participants, reconnecting them with mainstream society. The project has been very successful with many participants having graduated to long-term employment and post-secondary education.

- **Community Prosecutor**: a community-based prosecution strategy – and Canada's first – for downtown Winnipeg. The prosecutor brings together Winnipeg police and local stakeholders to target street crime and other locally identified priorities for both aggressive prosecution and co-ordinated prevention strategies. The prosecutor works in downtown Winnipeg as part of that community.

## Healthy Children – Strong Families

Ensuring children grow up healthy, safe and secure is fundamental to ensuring young people can grow up to be healthy adults. Manitoba, with its community partners, has developed a range of programs and services for children, youth and families.

- **Healthy Child Manitoba**: In 1999, the Manitoba government adopted "the best possible outcomes for Manitoba's children" as a key pillar in its overall vision for Manitoba. In 2000, the government created Healthy Child Manitoba, which coordinates strategies and initiatives across government, such as: Healthy Schools, a program to promote school- and community-based physical activity and wellness initiatives for children and teens; Roots of Empathy, a program to counter bullying in schools; the Healthy Baby program, to help mothers during pregnancy and the early years with financial assistance and substantial education about early childhood development; and the new Positive Parenting Program.
- **Northern Healthy Foods Initiative**: In response to the Northern Food Prices Report four priorities are being implemented: food business development, community foods program, greenhouse pilot project and Northern gardens. More than 20 communities are expected to participate with community gardens this year.
- **Child care**: Manitoba's five-year child-care plan has enhanced one of the best child-care systems in Canada, with significant increases in the number of funded spaces and increased wages for early childhood educators. In April 2005, the governments of Manitoba and Canada signed a first-of-its-kind child-care agreement, Moving Forward on Early Learning and Child Care, to provide new multi-year federal funding for child care and early learning. The provincial government is calling on the new federal government to honour its commitment to child-care.
- **Shelter Support**: The Manitoba government is undertaking a significant restructuring and enhancement of the existing shelter allowance system, an important step in our strategy to fight poverty. A new shelter benefit will provide greater support to assist low-income individuals and families with rising shelter costs, and increase the number of beneficiaries, including the addition of many persons with disabilities.

The Manitoba government will continue to work with communities on a comprehensive approach to CED to enable communities to create their own healthy, sustainable economic futures.

Manitoba

Budget Paper G

# MODERNIZING GOVERNMENT

# MODERNIZING GOVERNMENT

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## INTRODUCTION

Manitobans expect good government – delivered in an affordable, effective way, reflecting the priorities they have identified. Public attitudes, perceptions and expectations evolve on how to best address social and economic challenges. Governments are expected to play an important leadership role in society, facilitating economic growth and social progress. The public is challenging government to provide services more effectively and more efficiently, largely from within existing resources.

A recent survey by the Institute for Citizen-Centred Service (ICCS), found that 73 per cent of Canadians have higher expectations for government-delivered services than they do for those delivered by the private sector. Governments are expected to adapt to the needs and expectations of the public through improved service delivery.

The Manitoba government is committed to continuously improving the way it operates and delivers important public services. This ongoing process of internal reform provides opportunities to enhance the delivery of public services to Manitobans.

Major accomplishments have been realized in key areas such as health, education, public safety, economic development, and rural and northern development. These efforts are made-in-Manitoba solutions to ensure public services remain effective, relevant and sustainable well into the future.

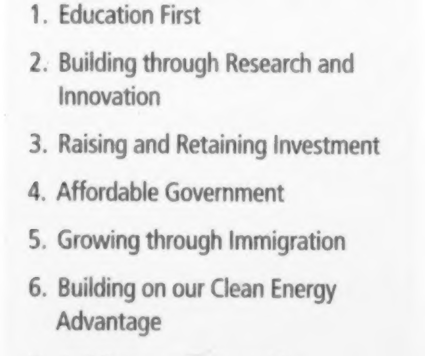
The changes are tangible and meaningful. Innovative legislation means Manitoba has been able to shut down drug houses that disrupt neighbourhoods and undermine public safety. The technology of the Internet enables us to provide more information about government services and more choices for accessing those services. Online services such as applications for child-care support and student financial aid make it easier for Manitobans to connect to services they need. Access centres bring

*53% of Canadians surveyed by the ICCS agreed that in delivering services and programs, governments face the additional challenge of having to balance the overall public interest while also trying to address the unique needs and expectations of citizens.*

### MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH

1. Education First
2. Building through Research and Innovation
3. Raising and Retaining Investment
4. Affordable Government
5. Growing through Immigration
6. Building on our Clean Energy Advantage
7. Building our Communities

**Total Expenditures Per Capita 2005/06**



Sources: Statistics Canada and provincial mid-year financial statements

important health and social services under one roof in different Winnipeg neighbourhoods and make it easier for neighbourhood residents to find services.

## ■ AFFORDABLE GOVERNMENT

The Manitoba government's seven-point Action Strategy for Economic Growth provides a framework for government action to facilitate strong economic growth and encourage opportunities for entrepreneurs, investors and individuals throughout the province. One of the Action steps is a commitment to *affordable government.* Providing affordable public services means using public revenues effectively and efficiently to deliver government programs and services. The government is carefully managing expenditures even as demands for services, especially in health care and education, are rising.

Spending by the provincial government is growing more slowly than the economy, with general government revenues and spending now lower as a share of Gross Domestic Product when compared to 1999/2000. Additionally, Manitoba's total per capita expenditure has been the second-lowest of all provincial governments since 2000/01. Since 1999, total expenditure growth on a per capita basis in Manitoba has been the lowest in Western Canada. The highest per capita increases in government expenditures were reported in Alberta at 49.2 per cent, with British Columbia at 29.8 per cent and Manitoba at 24.3 per cent.

The Manitoba government has made significant investments in the province's publicly funded health care and education systems. This has included reducing wait times for lifesaving treatments, delivering health services closer to home, training more health care professionals and more than doubling financial support to the Pharmacare program. The commitment has been kept to fund public schools at the rate of economic growth. Post-secondary enrolment has increased by one-third, and the 10 per cent reduction in tuition has been implemented and maintained. Support for apprenticeship training has also increased.

Public services have been enhanced in a fiscally responsible manner through the pursuit of three goals: enhancing the value of government, ensuring competitive conditions for economic growth, and keeping government affordable for future generations.

## Enhancing the Value of Government

Relevant and effective public programs contribute to the well-being of Manitobans. Using existing resources efficiently allows government to deliver the greatest quantity of public services, while a focus on effectiveness improves the quality of programs and services. Ensuring quantity and improving quality combine to enhance the overall **value** of government activities.

## Ensuring Competitive Conditions for Economic Growth

Manitobans expect government to be efficient and "do things better" without reducing the quality of important public services and programs. The government must also be flexible and responsive to competitive challenges from other nations, regions and provinces to maintain the "Manitoba Advantage." Establishing a smarter regulatory environment ensures resources can be directed toward economic development, important public services and tax reductions.

## Keeping Government Affordable for Future Generations

Since 1999, the provincial government has delivered seven balanced operating budgets under balanced budget legislation, including the 2006 Budget, addressing debt and pension liabilities.

## MODERNIZING GOVERNMENT

Affordable and effective government requires the public sector be both efficient and productive. Innovative designs, practices and tools need to be identified and implemented. Maintaining affordable government means being open to changing the way government functions, modernizing processes and practices, and engaging the public in new ways. As such, modernizing government contributes to both an affordable and innovative public sector.

Government support of community economic development (CED) principles ensures provincial operations are open to community-based, locally driven enterprise. Through government purchasing, investments and other supports for CED, there is a stronger connection to community and social well-being, environmental benefits and innovative partnerships and approaches.

Manitoba has focused on two fundamental approaches in pursuing continuous improvements: *internal reforms* and *improving service delivery* to individuals, families and businesses. Opportunities to enhance efficiency and effectiveness are achieved in four ways.

1. ***Simplicity*** focuses on practical changes that clarify or simplify how resources are internally organized, increasing choices and accessibility for citizens.
2. ***Partnerships*** afford opportunities to co-deliver new or existing public services with other levels of government or external organizations.
3. ***Technology*** enables better communication flow with Manitobans and more productive administrative practises.
4. ***Innovation*** introduces new ideas or processes in the public sector that improve service delivery.

## ■ ACHIEVING SIMPLICITY

Simpler government structures make it easier for the public to find and access programs and services. There are many examples of making it easier for the public to access government services, ***increasing choices*** available to the public.

### Enhancing Protection for Manitoba Farmers

In 2005, the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation were merged to form the Manitoba Agricultural Services Corporation (MASC), in response to the changing realities in modern agriculture. Both corporations served the same clients - Manitoba's agricultural producers - and shared a common goal of supporting agriculture and rural economies. A single organization will result in more effective service delivery.

By reducing duplication, the new corporation is able to extend new and innovative services and protection for farm families. For example, MASC has added more crops to the list of those eligible for coverage in 2006, increased the maximum coverage for certain crops, and enhanced excess moisture insurance coverage. The combined knowledge and experience of MASC staff will also result in more innovative programs designed to serve the emerging needs of Manitoba's farmers and rural communities.

### Straightforward Services for Drivers

In April 2004, Driver and Vehicle Licensing and the Manitoba Public Insurance Corporation (MPI) merged to offer a 'single-window' service for all vehicle licensing, registration and insurance. Besides making services more accessible to Manitobans, the merger also results in efficiencies, including modernizing technology and reducing duplication.

### ACHIEVING SIMPLICITY

improving the public's access to programs and services by implementing **clear** and **practical** organizational design

The merger also laid the groundwork for further service improvements. In November 2005, MPI announced that in the near future Manitobans will receive license and insurance renewal information in one envelope and be able to do both renewals at the same time. This "one-stop shop" initiative will increase choice for Manitobans by more than doubling the number of outlets available for licensing services throughout the province.

**ONE-STOP SHOP**

refers to a location that offers a multitude of services, increasing convenience and efficiency for citizens and businesses

## Helping Manitobans in Need

In 2004, the "one-tier" initiative transferred responsibility for income assistance programs in rural and northern Manitoba to the province (responsibility for the City of Winnipeg's income assistance program was transferred to the province in 1999). Before this service improvement was put in place, municipalities handled income assistance for all non-disabled single persons, childless couples and two-parent families, while the province was responsible for all other persons in need, such as single parents and persons with a disability.

In addition, because of the one-tier initiative, access to provincial training and employment readiness programs has improved.

*Moving to a simplified one-tier system for income assistance provides Manitobans with better access to income assistance services.*

## Investing in Students

In 2001, the government announced a comprehensive plan to reduce the number of school divisions in Manitoba by one-third, from 54 to 38. A limit was later placed on the amount of funds a school division can allocate toward administrative costs, resulting in more resources being directed to the classroom. Rural and northern school divisions can allot a slightly higher proportion of resources to administration, in recognition of their unique needs. The government responded to the concerns of rural Manitobans and included a provision that prohibited the closing of schools in amalgamating divisions for a period of three years.

Restructuring educational governance and administration in Manitoba has enhanced student access to programming, achieved greater equity across the province and reduced administrative costs for the direct benefit of students.

The government has also identified opportunities for greater efficiency within Manitoba Education, Citizenship and Youth. Recently, the Assessment and Evaluation Branch and the Program Development Branch were merged to reinforce the connection between curriculum, instruction and assessment. Overall, the process of streamlining the two branches has saved over $1 million, with further savings expected when the merger is fully implemented.

## Finding Efficiencies

The government is open to new ideas and approaches that make government more effective. For example, through a process known as "clustering", some internal administration, finance and information technology services have been re-organized to consolidate services in fewer administrative groups. This has resulted in $1.2 million per year in savings.

In 1999, the Winnipeg Hospital Authority and the Winnipeg Community and Long-term Care Authority were amalgamated into the Winnipeg Regional Health Authority. To date, this measure has saved more than $12 million. In addition, two Western Manitoba health authorities were combined into the Assiniboine Regional Health Authority, creating financial efficiencies and cutting administrative costs.

*Two Winnipeg regional health authorities were amalgamated into the Winnipeg Regional Health Authority. This measure alone has saved more than $12 million.*

DEVELOPING PARTNERSHIPS

working with organizations, communities, and governments to strengthen public services or introduce new ones

## ■ DEVELOPING PARTNERSHIPS

Establishing additional partnerships with other governments or external organizations for co-location, co-delivery or realignment of resources can result in further service improvements and cost savings. An example of partnerships working for the benefit of Manitobans is the Gamma Knife Centre of Excellence located at the Health Sciences Centre, which provides leading-edge brain surgery. The Centre was created through a process led by Manitoba where all provinces and territories agreed to co-operate and share human resources and equipment by developing sites of excellence for advanced treatments. There are other examples of strong and effective partnerships.

### Linking Opportunity and Prosperity in Agribusiness and Rural Communities

Agriculture in Manitoba is highly diverse and made up of mostly small business ventures whose successes profoundly affect rural communities. An effective partnership between industry, rural communities, and government is essential in order to take advantage of the new techniques, scientific advances and economic opportunities in today's global economy. As a result of extensive consultation, a uniquely Manitoba solution was achieved.

In 2004, Manitoba Agriculture, Food and Rural Initiatives (MAFRI) began implementing a new strategy called "Growing Opportunities". MAFRI is increasing the focus on value-added production and encouraging multi-income stream ventures on farms and in rural communities. Specialized agricultural and community support services will be offered to Manitobans through expanded offices now called Growing Opportunities Centres (GO Centres). GO Centres will provide producers and rural communities with 'one-stop shop' locations for services such as farm production, rural economic development, business development, leadership capacity building and production insurance. Of the 47 MAFRI offices across Manitoba, 20 are being converted into GO Centres located throughout rural and Northern Manitoba.

## Delivering Bilingual Services

The Bilingual Service Centres, a first of their kind in Manitoba and Canada, are located in St. Boniface, St. Pierre-Jolys and Notre Dame de Lourdes. The Centres involve a number of partners delivering a range of services. They enhance the delivery of French language services to Manitobans by co-locating federal, provincial and municipal services, as well as providing access to community-based organizations, in either official language. The Centres also have a Web site to provide additional access points.

Each centre offers a unique set of services designed to fit the region in which in it is located. For example, the centres in St. Boniface and St. Pierre-Jolys house business counselling satellite offices of the Canada-Manitoba Business Service Centre. The centres in St. Pierre-Jolys and Notre Dame de Lourdes provide on-site space for staff from local non-profit community development corporations who provide employment and/or economic development resource services. In some cases, residents can pay for municipal bills, like water and sewer bills, property tax bills, parking tickets, dog licenses, bus passes and residential parking permits.

## Collaborating for the Health of Manitoba's Children

In 1999, the Manitoba government adopted "the best possible outcomes for Manitoba's children" as a pillar in its overall vision for Manitoba. In 2000, the government created Healthy Child Manitoba (HCM) and the Healthy Child Committee of Cabinet, consisting of ministers whose departments can improve outcomes for Manitoba's children. Services for children are co-ordinated across government following a strategy for which there is a shared responsibility.

Developing services that respond to the needs of children depends on meaningful partnerships with local community agency networks. A provincial Early Childhood Development Advisory Committee with wide-ranging membership provides advice to government from the community. Reflecting the emphasis on partnerships, 26 parent-child coalitions have been established, with local representation from parents as well as other areas that impact on children's lives. HCM has provided key support for programs such as the Healthy Baby prenatal program, the Baby First and Early Start programs for new parents (recently combined and now called Families First), the Stop FAS (Fetal Alcohol Syndrome) program, and the Triple P – Positive Parenting Program.

ENGAGING TECHNOLOGY

**transforming relationships** with citizens to improve program and service delivery, and to make sure Manitobans are "connected"

## ■ ENGAGING TECHNOLOGY

Information and communication technologies (ICT) improve program and service delivery, and ensure Manitobans are "connected."

Technologies such as the Internet and broadband create unprecedented opportunities to address the needs of Manitobans in a dynamic and responsive way. The government is using ICT to improve public service delivery and extend new public services for the benefit of students, families, businesses and communities in rural and Northern Manitoba.

### Sustainable Technology-Enabled Service Delivery

The effective use of ICT enhances public programs, improves community linkages, increases productivity in the civil service and better manages information. The government's strategic investments in managed computer services, information protection and security, and high-speed network services provide Manitobans with a world-class platform for modernizing service delivery, including the ability to deploy new online services for Manitobans.

In 2004, the ICT Restructuring Initiative was established to support the ongoing application of ICT across the provincial government and enhance planning and co-ordination of ICT resources within the government.

## Delivering Online Services

The Internet is part of providing reliable, user-friendly and interactive services for the public and businesses in Manitoba. In 2002, the government implemented a multi-channel service delivery program to provide better access to government. **At Your Service Manitoba** features a "no wrong doors" approach, providing citizens with direct access to government programs, services and information through three channels of contact: in person, on the Internet and over the phone.

**Child Care Online** has enabled Manitoba families to search online, 24-hours a day, for licensed child care in their neighbourhood. Subsidy applications can be made online and a calculator helps estimate the value of the subsidy. The Web site also allows child-care providers to display information about their facility, the programs offered and current vacancies. It also includes the ability to apply to be a child care professional or renew certification in this field. Child Care Online has enabled staff to direct their efforts to reducing wait times for approval and other time-sensitive supports.

**My Student Aid Online (MySAO)** is a 24-hour web service that interacts with students filling out the student aid application. The service helped reduce student loan processing times from seven weeks in 2001 to approximately four weeks in 2004. This frees up time for staff to deal with more complex situations on a one-to-one basis.

Since 2003, the **Parks Reservation Service (PRS)** has been upgrading its online service. In 2006, the PRS will introduce an enhanced made-in-Manitoba parks reservation system that will provide faster,

*Technologies such as the Internet and broadband create* ***unprecedented opportunities*** *to address the needs of citizens in a dynamic and responsive way.*

*For the 2004/05 program year, 70% of student aid applications were submitted through the Internet, making MySAO the primary service channel.*

*The Personal Property Registry was awarded the 2001* ***Achievement Award*** *by the International Association of Corporate Administrators.*

*Using broadband, the potential exists to link a doctor in Brandon to a patient in Churchill, or an elementary school classroom in Melita to a science centre in Charlottetown.*

responsive real-time service to campers through the use of technology, the Internet and a call centre. This is one of many improvements made to the provincial parks system to help Manitobans and tourists enjoy visits to a provincial park.

The **Personal Property Registry** provides for the electronic submission of notices and includes the ability to e-mail confirmations, rather than send out mail notices. Before implementing this system, forms had to be filled out manually and mailed to the Registry. Under the new system, between 95% and 97% of all registrations are electronic, resulting in cost savings as well as substantial service enhancements. Approximately 50,000 notices are handled each year and are now in electronic format.

## Ensuring Access to the Internet

The government has taken steps to ensure Manitobans have access to the Internet. While many Manitobans are connected to broadband or high-capacity Internet, not all rural, Northern or First Nations communities have access. Manitoba's provincial broadband strategy aims to ensure that all Manitoba communities have access to broadband network services by 2010.

Access to broadband networks offers local businesses the opportunity to participate in a wider commercial arena by reducing economic costs normally associated with remote distances.

Broadband capacity also enables new and innovative public programs and services. For example, Telehealth networks link medical expertise to local health care professionals, meaning patients can stay in their communities for medical treatment. Access to the Internet opens educational opportunities for residents in linked communities - broadband capacity is a key pillar in the University College of the North's ability to deliver post-secondary education to Northern communities.

### Delivering Better Public Safety Services

In 2001, Manitoba Justice initiated the Co-operative Justice System (CJS) to create an integrated, computerized information system to provide more comprehensive information to enforcement agencies, prosecutors, defence counsel, sheriffs, correctional officers and other justice staff. The CJS, when fully implemented, will eliminate the need for paper-based manual processes and older or incompatible computer systems that made it difficult to quickly access all the information related to an offender.

## ■ ORGANIZATIONAL INNOVATION

Innovation involves capitalizing on the knowledge, experience and ideas of public sector employees to create original and positive solutions, for improved programs and services. This type of reform is critical as many of the challenges addressed by government services and programs are truly unique to our province and therefore require responses that fully recognize the specific needs of Manitobans.

**INNOVATION**

capitalizing on the knowledge, experience and ideas of public sector employees to create **original** and **positive solutions**, resulting in improved programs and services

### Changing the Way We Manage Health Care

Manitoba's Wait-Time Reduction Strategy targets five key areas for wait time reductions, and includes a plan to improve how wait times are measured and addressed. An improved wait-time framework can better inform the consulting physician and assist individual patients and their families in choosing how to proceed with care, as well as improve patient confidence.

Manitoba Health's Web site has been enhanced to provide additional information. Specific information related to Manitoba's wait-time statistics are updated more often and with greater accuracy. In 2006, the government will release a Wait-Time Reduction Accountability Report detailing its progress in meeting provincial targets and national benchmarks. The government will also be producing a new Manitoba Health Guide to better inform the public

## MANITOBA'S WAIT-TIME REDUCTION STRATEGY

- more diagnostic testing
- more surgeries
- more health care professionals
- system innovation and better wait-list management
- prevention and health promotion

about health services and initiatives undertaken to reduce wait times.

## Transforming the Delivery of Health and Social Services

The Integrated Service Delivery initiative launched in 2003 is transforming the delivery of social services, by delivering innovative solutions for Manitobans in need. Both individuals and families have more choices in obtaining seamless, timely and responsive social services. When possible, case planning incorporates individual or family decision making as part of the service delivery process.

The government has partnered with the Winnipeg Regional Health Authority to establish community Access centres, which co-locate primary care services with health and social services at a single point of access. Access River East is the first site to include primary care services in addition to health and social services. A second site is opening in Transcona later this year. Four other integrated health and social service sites (not inclusive of primary care services) have been opened in Winnipeg, including two in St. James-Assiniboia, one in St. Boniface/St. Vital, and one in River Heights/Fort Garry. An integrated service centre is scheduled to open in the Seven Oaks area in late 2006.

*While the Integrated Service Delivery initiative makes use of partnerships, technology and simplicity, it is best described as an innovation due to its scope and transformative effect on the overall delivery of social services in Manitoba.*

## Putting Public Safety First

The Domestic Violence Front-End Project is a nationally recognized and award-winning organizational innovation in Manitoba's criminal justice system. It has significantly reduced trial delays and case backlogs in the area of domestic violence by moving the responsibility for time-consuming administrative matters from provincial judges to Pre-trial Co-ordinators. When Pre-trial Co-ordinators handle administrative matters at the 'front end' of the criminal justice system, it allows provincial judges more time to address legal matters in court, such as trials and guilty pleas. As a result, the value of the time spent in court has improved, cases of domestic violence are resolved in less time, and costs associated with trial delays and remands have been reduced.

In addition, the same Crown attorney is in charge of a case as it works it way through the justice system, resulting in greater accountability for cases and reductions in legal delays. This also means that there is now earlier and more consistent contact between the Crown attorney and the victim.

## Improving Public Services from Within

The Service Quality Partners (SQP) network is an example of grass-roots innovation, generated entirely from within the public sector, helping to modernize government operations. SQP is a volunteer network of staff from all levels within the Manitoba government that champions service improvements by leading and sustaining change through education, communication, direct assistance and recognition.

The Manitoba Service Excellence Awards (MSEA) showcases civil servants who have contributed to enhancing public service delivery. The MSEA Innovation Award recognizes a team that successfully develops and applies knowledge and ingenuity to create, adapt or improve government products, services or processes.

## Modernizing the Way Government does Business

Over the past few years, several important changes have also been made in the way that government is organized. For example, the appointment of a Healthy Living Minister in 2003 supports a focus on creating conditions and supporting behaviours that promote the best possible health choices for everyone.

The first Department of Water Stewardship in the country was established in 2003, and now one department has sole responsibility for protecting and

*In 2005, the Institute of Public Administration of Canada awarded Manitoba Justice the* ***Gold Award for Innovative Management.***

*The Public Safety Investigations Unit of Manitoba Justice recently won the* ***Manitoba Service Excellence Innovation Award*** *for its work in using new investigative strategies and techniques to combat drugs, solvent abuse and prostitution.*

managing Manitoba's high-quality water resources, ensuring our water resources can meet the present and future needs of all Manitobans.

Similarly, a new Department of Energy, Science and Technology was established in 2002 to better align existing resources to support the development of energy, research and innovation as key contributors to the provincial economy.

Over the past several years, the government has implemented reforms within existing government agencies to better manage public resources. One example is the consolidation of two Special Operating Agencies (SOAs): the Mail Management Agency and the Materials Distribution Agency. Another is the soon to be created Crown Lands and Property Agency SOA.

In the case of the Crown Lands and Property Agency SOA, the new business model will provide the opportunity to focus on the delivery of specialized services to government departments and the public. Once fully operational, this SOA will have full authority for all Crown land sales, leases, permits and acquisitions. As a result, this new organization will deliver better services to the public as the management of all land transactions will be more open, fair and transparent.

### SPECIAL OPERATING AGENCIES

SOAs are service operations that are granted more direct responsibility for their operating results and have even greater flexibility to encourage innovation, enhance service delivery and reduce the cost to government. SOAs have to submit annual business plans, quarterly and annual reports, and are subject to annual audits conducted by the Auditor General or by an external auditor.

## STREAMLINING AND IMPROVING BUSINESS INTERACTIONS

The Manitoba government can help promote economic growth by making it easier for businesses to comply with government regulations. Since 1999, the government has streamlined its interactions with businesses and enhanced the ability to deliver new services to the private sector.

To reduce the time and effort small business spends to comply with sales tax regulations, the government reduced the frequency of filing sales tax remittances.

The Manitoba government supports economic growth by continuously working to make interactions between businesses and the public sector more **seamless** and **clear**.

Over 11,000 small businesses have chosen to file less frequently, meaning small business owners spend more time with customers and staff, not on paperwork.

In 2005, the administrative and compliance provisions under eight provincially administered taxation statutes were consolidated to make it easier for businesses to understand what is required of them.

The government has also passed legislation to harmonize cost of credit disclosure requirements (coming into effect in 2006). These changes had been agreed to by federal, provincial and territorial governments and will make it easier for business to operate across the country.

In 2004, the government implemented the single business number (BN) as Manitoba's common business identifier. The BN replaces a variety of different account numbers a business was formerly assigned under each provincial taxation statute for activities such as payroll deductions, corporation income tax, GST and importing/exporting. A more universal adoption of a single BN will simplify business interactions with government.

The vision for Manitoba Business Links (MBL) is to link together government departments and agencies that would benefit from having access to the information attached to the BN. MBL is the technology required to share information linked to the BN.

Last year, the City of Winnipeg also announced its intention to develop a registry model around the BN, and will work with the Manitoba government as well as the federal government to accomplish this goal.

Two other technology-based initiatives which will improve public sector and business interactions are the Biz Gateway and Biz Pal. The Biz Gateway creates a more user-friendly web-based portal for provincial business information services. The government is also working to introduce Biz Pal, a web-based service that will allow businesses to generate a customized list of permits and licenses they require from all three levels of government to reduce the costs of regulatory compliance.

The government will continue to look for new and innovative ways to simplify and make more efficient the way business and government interact.

Performance Reporting helps citizens measure the success of public organizations and programs through **regular reporting to the public.**

## PERFORMANCE REPORTING

Throughout Canada, governments at all levels are working to provide more comprehensive performance information to the public. More information has been made available on department Web sites over the last few years, allowing the public to access up-to-date information to determine whether programs are meeting their goals.

The Manitoba government is committed to improving both accountability and transparency in its public reporting.

Significant improvements have been made over the last few years in the area of financial reporting. The province has also made steady progress on its adoption of Generally Accepted Accounting Principles (GAAP) in its financial reporting, and has committed itself to producing both its annual budget and financial statements on a consolidated basis for 2007/08. The importance of this endeavour was underlined by the Auditor General on releasing the results of his audit on the Public Accounts of Manitoba for 2005:

*"Once consolidated financial budgets and statements are in place as the primary source of information for both budgeting and public reporting, public and legislator information, discussion, communications and decision-making will be significantly enhanced. ... Government reporting on the 2005 financial statements already reflects its shift in emphasis to the GAAP results."*

*"For the first time since publishing consolidated financial statements in 1988, the Government has prepared Consolidated Financial Statements which are fully in accordance with GAAP. It should be anticipated*

*that because of changing GAAP requirements, a qualification will be received for the next two years until school divisions are consolidated. We acknowledge that the Province is undertaking significant steps to eliminate this upcoming qualification for the year ending March 31, 2008.*" (Auditor General's January 2006 press release)

In 2005, the first overall Manitoba government performance report to the public, *Reporting to Manitobans on Performance: 2005 Discussion Document*, was released. The report highlighted progress and recent actions in four categories: economy, people, community and environment. It outlined a number of key measures and recent actions to meet the challenges in these areas.

One of the purposes of the *Reporting to Manitobans* document is to make performance information more available for review by interested groups and individuals. It is hoped that by encouraging greater public interest in performance reporting, individuals and groups will provide feedback as to how to report this type of information in the future.

The number of specialized reports of indicators has also been increasing. For example, *Manitoba's Comparable Health Indicator Report* has been published for the past few years. Another specialized report is *Investing in Early Childhood Development*, an annual progress report. In 2005 the first *Provincial Sustainability Report for Manitoba* was also published, outlining important information in the three areas of economic, environment and social well-being.

## FUTURE DIRECTIONS

The Manitoba government supports continuous internal review and reform in order to provide Manitobans with affordable, innovative and effective government operations, programs and services. The Manitoba government will continue to emphasize reforms that improve accountability and transparency, two important goals of modern government.

**Province of Manitoba Financial reports** may be found at http://www.gov.mb.ca/finance/financialreports.html

**Reporting to Manitobans on Performance: 2005 Discussion Document** can be found at http://www.gov.mb.ca/finance/mbperformance/index.html

**Manitoba's Comparable Health Indicator Report** can be found at http://www.gov.mb.ca/health/pirc/

**Early Childhood Development Progress Reports** can be found at http://www.gov.mb.ca/healthychild/ecd/ecd_reports.html

**Provincial Sustainability Report for Manitoba** can be found at http://www.gov.mb.ca/conservation/sustainabilityreport/

## SUMMARY OF MODERNIZING GOVERNMENT INITIATIVES

### SIMPLICITY

- Manitoba Agricultural Services Corporation
- Driver and Vehicle Licensing/MPI merger
- "One-tier" income assistance
- Fewer school divisions
- Reduced education administrative costs
- Internal Finance and administration and IT "clustering"
- Fewer regional health authorities

### PARTNERSHIPS

- MAFRI – Growing Opportunities
- Bilingual Service Centres
- Healthy Child Manitoba

### TECHNOLOGY

- First-rate ICT infrastructure
- New online services
- Provincial broadband strategy
- Co-operative Justice System initiative

### INNOVATION

- Wait-Time Reduction Strategy
- Integrated Service Delivery initiative
- Domestic Violence Front-End Project
- Service Quality Partners network
- Re-organizing Departments and SOAs

### STREAMLINING BUSINESS INTERACTIONS

- Reduction in frequency of sales tax remittances
- Consolidating taxation statutes
- Harmonizing cost of credit disclosure
- Single Business Number
- Manitoba Business Links
- Biz Pal
- Biz Gateway

### PERFORMANCE REPORTING

- Improved financial reporting
- *Reporting to Manitobans on Performance: 2005 Discussion Document*
- *Manitoba's Comparable Health Indicator Report*
- *Investing in Early Childhood Development*
- *Provincial Sustainability Report for Manitoba*
- *Wait-Time Reduction Accountability Report (Fall 2006)*